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IN MEMORIAM

The Editors of ORBIS regret to announce that ARTHUR P. WHITAKER, a member of the ORBIS Editorial Board from its founding in 1957, passed away on January 30, 1979. Professor Whitaker was educated at the University of Tennessee and at Harvard University and had taught at several universities, both in the United States and in Latin America, before settling in at the University of Pennsylvania. He taught at Penn between 1936 and 1965, building a distinguished reputation for the university in the field of Latin American history. His publication record was extraordinary: besides articles and monographs, he wrote numerous books, including *The Western Hemisphere Idea: Its Rise and Decline, The United States and Argentina, Spain and Defense of the West, Nationalism in Contemporary Latin America* and *The United States and the Southern Cone: Argentina, Chile and Uruguay*. Dr. Whitaker served the Foreign Policy Research Institute as an Associate from its founding until his retirement to emeritus status in 1966, and he served until his death as a mainstay of the ORBIS Editorial Board. His insights and contributions will be missed.

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JUDGING SALT II

The SALT II treaty debate in the Senate is already being advertised as the "battle of the century." Even before the complex details were loosed upon a wondering world, the SALT negotiations had inspired vivid rhetoric. Senator Jackson flailed away at "gratuitous concessions" and "appeasement" on the summit's eve. Secretary of State Vance called the senator's choice of words "misguided and simply wrong."

When the highly responsible and informed are already so engaged, the prospects for reasoned debate are beclouded by verbosity. There are two dangers here: first, that discussion of the treaty will cause us to lose sight of the document and allow partisan generalities about foreign policy to dominate or, on the other hand, that the complexities of SALT will befuddle friend and foe alike, obscuring the relationship of the SALT process to other American interests. The debate, in any case, will be a long one. It might be best, therefore, to put forward criteria for judging the SALT II agreements early and clearly. ORBIS makes no attempt to assign weights to the criteria presented below, but we do believe that, on this issue in particular, the rationale behind treaty promises and their import for U.S. security will play a major role in deciding senatorial minds. What follows, then, is a brief description of the agreements and a series of questions and answers that, taken together, constitute a framework for judging SALT.

SALT II comprises three elements: the treaty, lasting until the end of 1985; the protocol, which expires on December 31, 1981; and the joint statement of principles for SALT III. The provisions of the treaty cover quantitative limits, qualitative limits and verification measures. Quantitatively, the treaty restricts the United States and the Soviet Union to an equal number of strategic-nuclear delivery vehicles. Common sublimits will also apply to deployments of MIRVed ICBMs, MIRVed SLBMs and planes carrying air-launched cruise missiles (ALCMs). Beyond these numerical limits, the treaty also places a number of qualitative restrictions, not necessarily equal in their impact on the development and deployment of new types of nuclear weapon systems. In another feature restricting American more than

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Soviet freedom of action, both sides pledge not to "circumvent" treaty provisions by transferring the technology of banned systems to third parties (e.g., long-range, ground-launched cruise missiles to European members of NATO). The treaty also provides that each side shall verify compliance by national technical means and not interfere with such verification by the other side through deliberate concealment measures.

The protocol will temporarily ban deployment of those systems that the two sides cannot agree to limit for the longer period of the treaty: mobile ICBMs and long-range cruise missiles launched from ground and sea (GLCMs and SLCMs). Under the protocol, mobile ICBMs may not be flight-tested, but the long-range GLCMs and SLCMs may. By contrast with these specific limitations, the joint statement of principles is very general, calling for further reductions, additional qualitative limits and cooperative measures in order to facilitate verification of a SALT III agreement. Finally, any evaluation of SALT II must also contend with the issue of the Soviet Backfire. This bomber is excluded from the treaty on the grounds that it is a "theater" weapon. The United States, however, has set forth limits on Backfire's production and capabilities, agreed to in writing and orally by the Soviets (says Washington), to assure the United States that the bomber is indeed a theater weapon.

The SALT II treaty, protocol, principles and accompanying understandings may be judged according to military as well as political criteria. Though sometimes disparaged as too technical and narrow in scope, the military criteria go to the heart of the problem of national and international security.

1. *Will SALT II establish strategic equivalence between the Soviet Union and the United States?* Under SALT I, the USSR was permitted ICBM and SLBM forces some 40 per cent larger than those allowed the United States. To rectify this disparity (which was offset by U.S. advantages in warheads, missile accuracy and heavy bombers), the Jackson Amendment instructed U.S. negotiators at SALT II to reach an agreement embodying "essential equivalence" between U.S. and Soviet forces. This has not been interpreted to require that each side deploy equal capabilities in each of the several categories (except for equal aggregates of strategic-nuclear delivery vehicles), but it has been seen as calling for Soviet advantages in certain areas to be offset by an American edge in other "static indicators." Presently, Moscow enjoys a lead in numbers of ICBMs and SLBMs, missile throw-weight, air defense and civil defense; the

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United States maintains an edge in numbers of warheads, missile accuracy, numbers of heavy bombers and cruise missile development. The American advantage in the first two categories is diminishing as American bombers face obsolescence. Under SALT II, a critical question is whether the disparities will offset each other through 1985—i.e., whether the United States will retain the freedom of action to ensure that they continue to do so. Third-party perceptions of the strategic-nuclear balance will be determined in no small part by the degree of essential equivalence obtaining under SALT II.

2. *Will SALT II enhance the survivability of Minuteman?* Critics and proponents of SALT II agree that between 1982 and 1985 fixed, land-based U.S. nuclear forces will become vulnerable to a substantially disarming Soviet first-strike. The Soviet Union will be able to destroy 90 per cent of the most important component of the U.S. strategic triad by firing only one-third of its large and increasingly accurate MIRVed ICBMs. Critics and proponents also agree that SALT II will do virtually nothing to remove this threat. Neither the freeze on heavy ICBMs (USSR, 308; U.S., 0), nor the limit on new types of ICBMs, nor the limits on the number of warheads per MIRVed ICBM, nor the ceiling on the throw-weight of strategic ballistic missiles will protect Minuteman. Proponents argue that SALT II should not be asked to solve all U.S. strategic problems; they point out, also, that the U.S. will be free to deploy the MX mobile after 1981. Critics counter, however, that Minuteman vulnerability is the *essential* problem; in their view, the SALT process has already delayed development of the MX, originally scheduled for deployment in 1983 but postponed until the late eighties.

3. *Will SALT II enhance strategic stability, or will it make nuclear war more likely?* The other side of the coin with respect to Minuteman vulnerability is the counterforce capability possessed by the United States in comparison with that of the Soviet Union. Strategic stability makes it desirable that the Soviet Union have nothing to gain by launching a first-strike against this country. But Minuteman will be increasingly vulnerable in coming years; this means the United States must develop an invulnerable, residual counterforce capability that continues to compensate for Soviet throw-weight and dramatically improving accuracies. Otherwise, the president of the United States may find himself, in a crisis, trying to convince Soviet leaders that if they launch a first-strike against U.S. ICBMs, he will retaliate against Soviet cities (the only targets the U.S. countervalue

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force will be able to threaten in large numbers); but he will know that in a *third-strike*, remaining Soviet missiles will be able to destroy every major American city. U.S. missiles, of course, presently have a modest counterforce potential. Moreover, Soviet leaders, may not wish to run the risk of mutual suicide as the result of a successful first-strike.

It does not require a wild imagination to conceive that these circumstances place the United States at a disadvantage: either to back down or to threaten mutual nuclear holocaust. Under SALT II, then, a vital question is whether the counterforce capabilities of the Soviet Union will be significantly limited and, if not, whether the United States will retain the freedom to match Soviet achievements in this area.

4. *Will SALT II be verifiable?* As potentially significant as any of the specific provisions of SALT II may be, they can be stabilizing only if there is complete assurance that they are being observed. In fact, if such confidence is wanting, the more restrictive the limits are on paper, the more destabilizing they become. Marginal changes in one nation's weapons inventory will then have a proportionately more serious impact on the strategic balance.

Experts in these highly classified matters like to point out that while monitoring compliance with the terms of the accord is an objective and precise notion (Do the Soviets have, or do they not have, 2,400 strategic delivery vehicles?), verification requires a political judgment. Only a country's political leaders can decide, for instance, whether it is an acceptable risk, given the treaty's overall impact on national security, to agree to limits that the other side can exceed by 5 per cent with considerable confidence that the cheating will not be detected.

Judgments will differ in this "soft" area. No agreed definition, quantifiable or otherwise, exists concerning "adequate verification," a Carter administration concept that reveals significant slippage from our traditional concern for complete confidence that no violations are taking place. On the other hand, while the United States may run some real risks in this area, it must be recognized that the risks to the Soviet Union of being caught are also considerable. Prospective gains to be realized by violations are likely to be outweighed by the grave political repercussions attendant on being found out.

Verification issues are numerous, beginning with the Backfire bomber. Vague Soviet assurances about the aircraft's range, production and mission are sure to provoke disquiet, especially since

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the United States might not have the ability to tell whether or not Backfires are outfitted with air-launched cruise missiles. These doubts can be dispelled only if Moscow is willing to engage in the "co-operative measure" of flying the aircraft over international waters so that the United States can photograph the plane's underside.

Prohibition in the treaty of "deliberate" efforts to impede verification, by encrypting or encapsulating telemetry from missiles undergoing flight-test, may or may not lead to wrangling in the Standing Consultative Commission (to be carried over from SALT I). In any case, it leaves open the question of whether the United States possesses the capability to monitor such radio signals, now that two American intelligence installations in Iran have been closed. Even if Turkey acquiesces in U-2 flights along its border with the Soviet Union, this stopgap measure, to be used until new reconnaissance satellites can be developed and deployed, may not reassure skeptics. Turkish acquiescence, made disconcertingly contingent by Prime Minister Ecevit on Soviet approval of the arrangement, will be subject to reversal at any time. Moreover, without advance notification from Moscow of an impending missile test, our U-2 might not be in the air during the crucial early stage of the test. These uncertainties may diminish confidence in the agreed limits on new types of ICBMs and on the number of warheads that may be fitted on MIRVed missiles, for telemetry provides vital information in both areas.

One problem for the United States is that in the absence of specific and public criteria of adequate verifiability, there is no objective standard below which anyone can assert the accord is not adequately verifiable. No agreed point exists at which erosion of monitoring capability triggers an American response. This fuzziness is especially important. Experience under SALT I suggests that the Soviet Union can be expected to claim the right to do everything not expressly prohibited by the terms of the accord.

Public skepticism toward detente has deepened in recent years for many reasons, including the suspicion, whether warranted or not, that the Soviet Union sought to cheat on SALT I. While most of these issues were satisfactorily resolved by the Standing Consultative Commission, detente might not survive similar buffeting in a more suspicious public climate. In the future, technical criteria for verification may prove to harbor broad political implications.

The political impact of SALT II might well overshadow even military considerations. The treaty will directly affect the future of Soviet-American detente, U.S. relations with its allies in Europe

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and Asia, and international security as a whole. Criteria for evaluating the SALT II accords must also take into account the likely consequences for the president, and the country as a whole, of Senate rejection or amendment of the treaty. Several broad political criteria suggest themselves.

1. *Will SALT II have a favorable or an unfavorable impact on the security of U.S. allies and on America's relations with those allies?* Governments in Western Europe welcome the SALT II accords and warn that Senate rejection would have grave consequences. Britain and the FRG have openly — as has France privately — endorsed the agreement as strengthening detente. Moreover, some European officials have privately expressed the view that SALT's critics in the U.S. Senate could damage European confidence in the U.S. extended deterrent should those critics argue that SALT II will leave the United States in a position of strategic inferiority.

On the other hand, our European allies are disturbed by three elements of the accords that could affect their security interests negatively. First, the treaty requires that the United States not circumvent its provisions by transferring to third parties banned weapon systems or the technology for such systems. Here, the United States and the USSR continue to disagree over a critical matter of interpretation. Washington asserts the right under the treaty to transfer such items as cruise missile blueprints, engines and other components for those cruise missiles not limited by the treaty or the protocol (GLCMs and SLCMs whose range is 600 kilometers or less). Soviet negotiators challenge that interpretation on the grounds that the technology for long- and short-range cruise missiles is essentially the same, the size of the fuel tank being the chief difference.

Thus, the noncircumvention clause arouses the anxiety of the European members of NATO. They might conclude that long-range cruise missiles could offset two new Soviet theater-nuclear systems: the mobile SS-20 MRBM, deployed on trucks in western areas of the Soviet Union, and the Backfire. Cruise missiles under exclusive European control could compensate for declining confidence in the American nuclear umbrella.

To complicate matters further, Britain will soon have to decide whether or not to maintain its own sea-based nuclear deterrent. A decision to do so will make it necessary to replace its aging Polaris submarine force with more modern SLBMs that can be acquired only from the United States. While Washington insists it retains the right to transfer those missiles, Moscow can be expected to argue that any such missiles must be counted within the SALT II

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limit on strategic delivery vehicles, thus forcing a corresponding reduction in U.S. deployments.

Linked to the issue of noncircumvention is the additional European concern that the ban on long-range GLCMs and SLCMs may be extended when the protocol expires at the end of 1981. Such an extension has a precedent: the United States and the Soviet Union agreed to continue observing the terms of the SALT I interim agreement when it expired in October 1977. To forestall Soviet pressure in this direction, the Europeans are eager to have the U.S. Senate attach an amendment to the ratification instrument, requiring a two-thirds Senate vote to extend the protocol.

The statement of principles for SALT III poses a similar problem for Western Europe. Since the statement calls for a reduction of theater-nuclear weapons in the next round of talks, the Europeans again foresee possible constraints on the cruise missile. Offsetting this danger, on the other hand, is the leverage that prospective deployment of long-range GLCMs and SLCMs might give the Western alliance in bargaining the Soviet Union out of some of their European-oriented SS-20s and Backfires.

2. *Will SALT II improve mutually advantageous cooperation in other areas of Soviet-American relations and strengthen the long-term commitment of the Soviet Union to genuine detente with the United States?* This broad political criterion — with its focus on trade and technology transfer, force reductions in Europe, instability in the Third World, and human rights — underscores the complexities of any net assessment of the SALT II accords. Without a doubt, ratification of SALT II will boost the prospects for increased trade as the Senate considers the extension of most-favored-nation status for Soviet imports and a possible increase in Export-Import Bank credits for Moscow. The MBFR talks would also be likely to receive an impetus from the ratification of SALT II.

Some kinds of Soviet-American trade, especially in agriculture, are clearly to mutual advantage. But the transfer of sophisticated technology in such areas as computers and oil-drilling equipment might not be in the U.S. interest. By the same token, several of the MFR formulas advanced by Moscow would aggravate the existing imbalance in central Europe, while other proposals for common ceilings on NATO and Warsaw Pact forces might result in balanced reductions strengthening European security for all parties. In short, ratification of SALT II will likely lead to progress on trade and MBFR, but not necessarily of a mutually advantageous nature.

There is little basis for the prognosis that SALT II will sig-

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nificantly ease strains with regard either to human rights or to Soviet efforts to extract advantages from Third World troubles in Asia, Africa and the Middle East. Except for vague commitments in the 1972 Basic Principles of U.S.-Soviet Relations, the USSR has consistently rejected claims that detente requires a moderation of its activities in Vietnam, Angola, Ethiopia or the Middle East. Except for similarly vague commitments on human rights in the 1975 Helsinki Final Act, Moscow has also refused to concede that detente requires more humane treatment of dissidents and aspiring emigres. General Secretary Brezhnev's remarks to President Carter at the Vienna summit repeated these points.

Nevertheless, it is also apparent that prior to the Senate ratification vote, Moscow can be expected to influence Cuban troops to keep a low profile in Africa. It can likewise be anticipated that Jewish emigration from the Soviet Union will continue at the annual rate of 50,000, up from 29,000 in 1978. Whether such exemplary moderation will continue beyond the Senate vote on SALT may not depend on which way the Senate votes.

Finally, there is the oft-made assertion that ratification of SALT II will ensure stability in Soviet-American relations beyond the probably limited tenure of Mr. Brezhnev. The agreement, it is argued, will bind Brezhnev's successors through 1985 and, perhaps more important, will foster in them an appreciation of the reasonableness of the United States and of the political advantages to be gained from cooperation. The persuasiveness of this line of argument hinges, first of all, on the extent to which one believes Soviet leaders feel themselves the object of American hostility — of an "American threat," as it were. Secondly, its credibility depends on the validity of the expectation that Brezhnev's successors will be so unlike the present general secretary, and so far removed from his political commitments, that a web of cooperation is needed to bind them in advance of the succession process.

3. *What would the consequences be for U.S. national security, and international security generally, if the Senate should reject the SALT II treaty? If the Senate amends the treaty?* The Carter administration argues that the U.S. strategic position will be worse without SALT II than with it. Secretary of Defense Harold Brown has noted that without SALT II the Soviet Union could deploy nearly one-third more strategic systems than is permitted under the treaty. While disclaiming knowledge of Soviet strategic-deployment intentions, Secretary Brown has estimated that by 1986 Moscow could deploy 3,000 strategic delivery vehicles as against the 2,250 allowed

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by the treaty. Moreover, President Carter has raised the possibility that without SALT the Soviet Union might triple its Backfire production rate, encode all missile-test data and hide its missile launchers. In brief, the administration contends that SALT II will be stabilizing because it reduces uncertainty about Soviet capabilities, thus making it easier to plan America's defense program rationally.

It seems to have been just such a line of argument, though, that prompted Senator Henry Jackson to charge the Carter administration with appeasement for its advocacy of ratification as the only alternative to strategic inferiority. In Jackson's view, there is indeed another alternative: a vigorous upgrading and expansion of U.S. strategic-nuclear capabilities.

Administration supporters advance another claim in behalf of ratification: rejection would spell the end of presidential effectiveness in international affairs. Much as Senate repudiation of the Treaty of Versailles destroyed Woodrow Wilson, not only would such an outcome humiliate Jimmy Carter personally, it would gravely compromise U.S. authority in the international arena. It is tempting to observe that this concern may be greater on one side of the aisle than the other. Still, a number of European officials, including detractors of the president, have made it clear that they do not relish the prospect of any further debilitation of American leadership.

Not that the U.S. Senate is faced with an "all or nothing" proposition. Senate action promises to be far more complex. SALT opponents will seek to strengthen the treaty by amendment or even to make it unacceptable to Moscow as amended. Many supporters of SALT may also seek to modify the treaty, in order to save it; most such revisions, however, will run the risk of Soviet rejection, a development that would be interpreted as a defeat for President Carter, though not so embarrassing as rejection by the Senate.

Amendments can take several forms. Senators concerned with verification may seek to delay the treaty's entry into force until U.S. monitoring capabilities can be upgraded. Senators preoccupied with perceived inequalities and the vulnerability of Minuteman may try to force a reduction in Soviet modern large ballistic missiles (MLBMs). Alternatively, they may assert the right of the United States to build its own heavy missiles. Still others might seek to include the Backfire within the overall limit on strategic delivery vehicles. (As things now stand, Moscow would have to dismantle approximately 250 missiles or bombers.) There may even be efforts to change the currency of the limits from launchers to missiles: under both SALT I

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and SALT II, limits are placed not on missiles, as such, but on their launchers. Such an approach facilitates counting but permits each side to stockpile any number of missiles in warehouses, from which they could be transported to launchers for reload and firing. The Soviet Union is said to have perfected a "cold-launch" technique that would heighten Senate concern in this regard.

Amendment of the noncircumvention clause and of the protocol's limits on cruise missiles will probably attract the greatest support. The Carter administration has already let it be known it would not oppose, for instance, a provision requiring Senate approval for the protocol to be extended beyond 1981.

All these legislative stratagems will be played against a backdrop of ominous uncertainty. At the Vienna summit, Brezhnev forcefully asserted that Senate revision of the negotiated text could have "grave and even dangerous consequences for our relations and for the situation in the world as a whole." In June, inflexibility might have seemed to be the shrewdest means of discouraging Senate revision, and any skilled bargainer is well advised to stake out such a claim early, but the Soviet reputation for diplomatic rigidity was not earned lightly. Consequently, the Senate ratification debate will take place under a scarcely veiled "all or nothing" Soviet ultimatum. U.S. national security, and global security as a whole, will be crucially affected by the outcome of that debate.

THE EDITORS

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NATO: A BALANCE SHEET AFTER THIRTY YEARS*

by S. I. P. van Campen

On April 4, 1949, the Treaty of Washington was signed and NATO celebrates, accordingly, its thirtieth anniversary this year. It is perhaps of interest to draw up a kind of balance sheet, or at least make an effort to do so, particularly given the fact that the role and activities of the Atlantic Alliance are followed nowadays somewhat more critically than, say, ten or fifteen years ago. It is, of course, clear that, if only for reasons of space, such an effort cannot go much further than the formulation of a general assessment. What follows is my personal view of the facts.

The starting point of our enterprise cannot but be the existing constitutional structure of the alliance. There is no point in criticizing NATO for mistakes and omissions which, given its nature and structure, it could never have avoided. Let us, therefore, repeat once more a fundamental, but all too often forgotten, fact: the alliance is a voluntary association of sovereign states, who have transferred no sovereign rights touching either their foreign or defense policies to a central agency. In fact, the alliance is an *inter*national, *inter*governmental organization, *not* a supranational one. No doubt, the question of whether NATO on this basis can or could execute its mission satisfactorily is only too justified, and we will come back to it at the end of this article; but our starting point can only be the fact that in the alliance no majority can force a minority to do what it is unwilling to do and that, accordingly, unanimity or consensus is required for all NATO decisions.

However, even the criticism that does take this limitation into account is all too often contradictory. For example, the thesis is often heard that NATO is dominated by the United States and, therefore, is a tool of American policy and (God help us) of Ameri-

* This is an expanded and somewhat different version of an article that appeared in Dutch in the May 1979 issue of *Internationale Spectator* (The Hague). The views contained herein are those of the author alone.

S. I. P. van Campen is Director of the Office of the Secretary-General, NATO, and was formerly a senior staff member with the Netherlands Institute for International Affairs. He is the author of several articles and books dealing with international relations, the latest of which is *The Imperator: Consequences of Frustrated Expansion* (Sijthoff & Noordhoff, 1978).

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can "imperialism." At the same time, the alliance is often blamed for drifting *because* no single member state exercises any leadership. Again, NATO is often accused, particularly in the United Nations, of being a neocolonialist instrument of Western intervention in the Third World, while being blamed in other quarters for being powerless against the increasing threat on its periphery because of the territorial limitations imposed by the Treaty of Washington. Finally, it has been argued that NATO, dominated by warlike and saber-rattling generals, damages detente by the organization of large, too large, provocative military exercises; but, at the same time, it has been contended that NATO is weak, militarily out of date and politically inefficient, and that its system of consultation and crisis management is unable to do the job. However, let us turn away from this kind of criticism, which, for all its exaggerations and contradictions, is nevertheless not without a grain of truth, and toward our own balance sheet and, in particular, its first point. What can be said of NATO's results after the first thirty years?

Retrospect

It cannot, I think, be denied that the alliance has been successful in what has been from the very beginning its dual mission: the territorial defense of member states and the quest for more rational relations with the Eastern world. As regards defense, one would no doubt go too far in saying that NATO has prevented a Russian expansionist attack against Western Europe; there is, after all, as yet no documentary evidence that the Soviet Union ever had such an attack in mind. It *is* true to say that NATO has eliminated any temptation for Moscow to consider such an attack. The foundation and role of NATO presented the timely concentration of the military and political power of the North American and European continents; NATO is the only organizational form of the security link between North America and Western Europe. It is this fact which, during a long period, has prevented the emergence of a power vacuum in Europe with all its usual consequences; it is this fact which has granted Europe, and, more generally, the Atlantic area, an unusually long period of peace. At the same time, the alliance has promoted decisively the development of more rational relations with the East, a policy which today is called detente and whose various manifestations (German *Ostpolitik*, the four-power talks on Berlin, the MBFR talks in Vienna, the SALT negotiations and, finally, the various conferences regarding security and cooperation in Eu-

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rope) have all, without exception, been discussed, encouraged and developed in the NATO consultation system. In short, historically speaking, NATO has had an important and even decisive share in the conception and implementation of Western security policy which — and on this point everybody agrees — must consist of defense *and* detente.

This much said, it is perhaps worthwhile to ask the following question: How could an alliance which, constitutionally speaking, is one of the classical alliances, succeed in playing this somewhat unexpected role? The answer may be found in the fact that the NATO system shows two highly original aspects: the consultation system and what is commonly, but not quite rightly, called military integration.[1] These two elements have made the success of NATO possible; for this reason, they have been given appropriate attention by political observers and writers. Thus, a few observations may suffice here regarding one aspect of military integration in particular which, in my judgment, has been of decisive importance and is very likely to remain so in the future. First, the consultation system. This continuing and permanent mechanism has the immense merit — historically more so than nowadays — of having realized in practice (if not completely, then to a very large extent) a fundamental and basic principle of the alliance. In the circumstances since 1945, it would have been inconceivable to build up a system of common defense, maintain it and make it credible in the eyes of a potential aggressor, if a certain degree of unified action on the political level was not organized and obtained as well. In the past, there has always been a keen realization in NATO that collective defense is incompatible with political dissension or quarrels, although it must be admitted that member states have not succeeded in attaining that degree of political coordination which undoubtedly would have been desirable. One can only hope that this realization will also remain paramount in the future. However, I shall come back to present and future; as regards the past, it cannot be doubted that the consultation system, by its merits in the build-up and maintenance of the deterrent, political as well as military, has made a particularly important contribution to the success of the alliance.

As far as military integration is concerned, of course, nobody can deny the importance of the integrated headquarters, the common production projects and the commonly funded infrastruc-

[1] In law, "integration" presupposes, to my way of thinking, the transfer of sovereign rights; such a transfer has not occurred in NATO (with the sole exception of air defense), at least not in peacetime.

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ture system; but, after all, their importance depends in the final analysis upon the question of whether sufficient forces are available, both immediately in the field and after mobilization. If such is, indeed, the case, it is thanks to the NATO system of mutual examination, criticism and support of the defense contribution of the allies; it is this system which, I am sure, has been of really decisive significance for the maintenance of a credible, collective defense posture, and it will continue to be so in the future.

It is a well-known fact that every year the defense contribution of each member state is examined by the other allies, tested against commonly accepted defense plans and, if necessary, frankly criticized. It is also known that, whenever a member state, for whatever reason, plans to change or reduce its defense contribution (in which case, it is required to inform NATO), the alliance, in this case its Defense Planning Committee, has the right, on the basis of the advice of the NATO military authorities, to make its opinion known to the country in question. In both instances, such views lead, more often than not, to a modification of the original intention. It is this system of what has been called "collective arm-twisting," which in reality amounts to a permanent conference to decide jointly on quantity, quality and location of forces required for maximum deterrence, that has prevented in past decades a situation of military unpreparedness, as occurred in several Western countries in the 1930s. It is this system which, to put it somewhat simply, enables the lame to point out the road to the blind and the blind to keep the lame upright. Only because of *this* aspect of integration has the alliance been able to maintain a credible defense posture and, in so doing, to provide a realistic basis for Western policies of detente.

Present and Future

Turning now to the present and future of the alliance, the assessment might perhaps, unfortunately, be somewhat more shaded. It could be argued that the alliance is functioning satisfactorily, but in a rather more restricted field. It could appear that the alliance is developing more and more into a technically efficient, militarily defensive organization; its nonmilitary role (in particular, its political role) shows certain lacunae; and NATO has certainly not become a political clearinghouse for Western policies as some had hoped and desired in the past. Let us now elaborate on both the positive and the negative aspects of this assessment.

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The Military Role of the Alliance

It is clearly beyond the scope of this article to discuss the power relations between East and West in any detail; nor is it my intention to quarrel about figures or about whether the Russian military potential is essentially defensive or offensive in character. Suffice it to say that already, certainly during the next five or ten years, Russian military power will assume such serious dimensions that it will provide an immediately available tool in the hands of a future, possibly aggressive, leadership. In the judgment of the NATO military authorities, the alliance is now able to withstand a possible attack; but it is well known that the military authorities are apprehensive about the evolution of military power relations in the 1980s. Here, the decisions of the Atlantic summit conferences at London (1977) and at Washington (1978) are encouraging: at the first, a 3 per cent increase in the defense expenditures of member states was approved, which in the following months has, on the whole, been successfully implemented. The decisions of the Washington conference with respect to the long-term defense program are no less important, and they will undoubtedly contribute significantly to eliminating a number of serious shortcomings in the forces and in everything which directly or indirectly affects their fighting efficiency. In short, militarily speaking, the position of the alliance is not unsatisfactory and will improve in the near future; whether the decisions of London and Washington will be sufficient in the midterm (to say nothing of the long term) remains to be seen. The alliance will also be faced in the near future by the daunting task of tackling, both procedurally and substantively, the nuclear problems arising out of SALT II and, in particular, the coming negotiations for SALT III; and the allies will have to solve these questions one way or another. Finally, it cannot be denied that the French and Greek positions in the military field are less than satisfactory. Nevertheless, there are, I think, sufficient grounds to assess positively the military functioning of the alliance in the present and in the foreseeable future.

The Political Role

It may surprise many people that if there is, in this article, a question mark about the performance of the alliance, that question mark refers to the political field; yet it can be argued that the present form of NATO's political consultation, or, in other words, the political performance of the alliance, is less effective than in the past.

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I would like to flesh out this judgment by discussing a number of concrete problem areas.

NATO Political Consultation

The evolution of NATO political consultation should be mentioned in the very first place. Undoubtedly this political consultation is, geographically speaking, not so comprehensive as in the past or as the report of the "Three Wise Men" of 1956, the so-called Harmel Report of 1967 on the future tasks of the alliance, or even the Ottawa Declaration of 1974 considered necessary or desirable. One can identify several causes for this evolution. In the first place, there is, of course, the important fact that the alliance operates nowadays in a political constellation which is fundamentally different from that of the 1950s. At that time, the world was, roughly speaking, still bipolar; nowadays it has become multipolar — a certain number of new sources of power and political influence have come to the fore, and Western governments must seriously take them into account. But the alliance has remained a *regional* organization. Naturally, this changed and still changing constellation, this diffusion of power, has unfavorably affected the quality and intensity of political consultation in NATO. There is no reason to applaud or deplore this evolution; it is a political fact that must be accepted. This is, however, less the case with two factors which should be mentioned next. First, the political consultation system of "the Nine" has, in my personal judgment, done no good for the political consultations in NATO. This opinion, shared by some, has been contested by others on the somewhat remarkable ground that the European system of political cooperation has never gone much beyond the declaratory stage; in other words, it has not sufficiently developed to have much impact, either positively or negatively. Again, it has been argued that one should not confuse the specific political aims of the French with those of "the Nine"; and it is, indeed, true that much could be said about the role of French policy, both in "the Nine" and in "the Fifteen." This much admitted, I remain of the opinion that the relationship between the consultation system of "the Nine" and that of "the Fifteen" has caused some friction in the past and will remain in the future a problem to be watched. Much care will have to be taken on both sides to prevent regrettable developments; indeed, all the more regrettable because, given European inability or unwillingness to create a credible

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European defense system, only the alliance will remain responsible for the defense of the Atlantic world, including Europe itself.

To this long existing concern, a new and interesting development must be added which cannot have been very welcome either to the consultation system of NATO or to that of "the Nine." The informal talks among the United States, the United Kingdom, France and Germany in Guadeloupe which, as is well known, have continued in other four-power talks, have been seen by many as a weakening of Atlantic and even European unity. This is all the more true as it is no secret that in Guadeloupe two subjects were discussed that, par excellence, affect the direct interest of *all* members of the alliance and *all* countries of "the Nine": the problem of European security and the issues arising out of SALT II and, possibly, SALT III negotiations. Nor can one maintain that those countries of the alliance or "the Nine" who were not present in Guadeloupe have been sufficiently briefed about what was discussed there. Finally, even some of the participants of the Guadeloupe talks admitted that the timing of the meeting was not particularly fortunate. One of the consequences of this course of events — for it may be suspected that similar meetings will follow — was that the countries on the periphery of the alliance (Norway, Canada, Portugal, Italy, Greece and Turkey) have, at least psychologically, been pushed somewhat further from the center. Many were reminded of the secret memorandum of General De Gaulle of September 1958 which, it will be remembered, was rejected precisely by Washington and London for reasons that are still considered relevant and valid in many quarters. There is no sense, in the scope of the present article, in speculating on the factors that led to the Guadeloupe gathering; but it should be repeated that a possible directorate is now, not less than in 1958, incompatible with the basic principles of the Atlantic consultation system or, it would appear to me, with those of the consultation system of "the Nine."

The Economic Position of Member States

Everybody knows the economic position of some member states is less satisfactory than those of the majority of the allies. In this connection, one may think of Turkey, Portugal and, to a lesser degree, Greece. This situation was already a source of concern for successive secretaries-general. More recent developments, however, in Portugal and subsequently in Turkey, prompted the present

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secretary-general, Dr. Luns, to put this matter on the agenda of the North Atlantic Council in the course of 1978. Now, these problems of what one might call politico-economic solidarity among the member states have, again, given rise to doubts about political unity within, and effective resolution of, the alliance. There is no need to spell out in the present context the various aspects of the complex problems of economic aid to less developed countries in the *West*. Some countries have the misfortune of falling between two stools: they are too "rich" for development aid, yet no money is provided in Western budgets for those forms of economic aid which have a political aim and which, in fact, should have a political aim. Another aspect of the matter is that some people have the tendency to view possible aid to the countries under discussion as a purely economic problem, basing their considerations on economic, not to mention banking, criteria that do no justice to the requirements of a political emergency. Dr. Luns has always, both privately and publicly, stated that NATO in this matter has no author's pride and, as an organization, is not well equipped to channel such aid itself. But, this much said, it is a little disappointing to find that apparently it was decided at Guadeloupe to implement aid to Turkey through other international organizations which, given their nature and objectives, are less aware of the political dimension of the problem. This episode illustrates, I think, the insufficient willingness of some member states to inject, timely and effectively, the collective political interest of the alliance in an economic rescue operation. One can only hope that if the discussions now in course produce a positive result, it will not come too late. I might add that the above does not mean that the mistakes are wholly one-sided; after all, my purpose here is not to discuss comprehensively the problem of aiding Turkey, Portugal or Greece but, rather, to illsutrate a more general problem on the basis of a particular event.

Intra-alliance Disputes

There is no doubt that the existing dispute between Greece and Turkey, which in active or in latent form has been going on for a long time, not only has rendered the political solidarity within the alliance less credible, it has equally damaged the military-political situation of the southeastern flank. To be sure, generally speaking, this kind of dispute is not particularly new, and in the past the actions of the successive secretaries-general have contributed significantly to satisfactory solutions. The missions of Secre-

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taries-General Stikker and Brosio in the eastern Mediterranean and the action of Dr. Luns in the most recent phase of the Icelandic fisheries dispute might be mentioned in this context, but there are other examples that can be cited as well. If in the past that kind of action by the secretary-general and the North Atlantic Council led to success, the reason is perhaps, it seems to me, that the parties in the disputes never lost sight of their basic common security interests. To put it differently, the disputes were less fundamental, and precisely because of this fact, with some good will on both sides, a solution could be found. One may wonder whether an increasing parochialism in the alliance, caused, *inter alia,* by the fact that perception of the Russian threat has dangerously diminished, will not block this kind of solution more and more. If this assessment is correct, it can only be interpreted as one more illustration of the diminishing realization of the important role of the alliance as a whole.

There is, however, yet another aspect of this problem. The report of the "Three Wise Men" of 1956 grants the secretary-general the right of certain initiatives in the fields of conciliation, mediation and good offices, provided the parties to the dispute agree. Indeed, this is completely in conformity with what I said above, not without a certain emphasis, with respect to the constitutional character of the alliance. It follows, however, that when, as is the case in the Greek-Turkish dispute, such agreement cannot be obtained, the secretary-general and the North Atlantic Council are condemned to immobility. This does not mean to say that if Dr. Luns had been able to initiate action, he would automatically or certainly have attained success. The failure of Mr. Kissinger and Mr. Waldheim and "the Nine" sufficiently shows the difficult, complex and, above all, deep-rooted character of the present dispute between Greece and Turkey. But it is in any case quite clear that the alliance is no "court of law"; it can only work on the basis of unanimity and consensus. Accordingly, in answer to the question put at the beginning of this article, one might conclude that the successful functioning of NATO would profit from (indeed, depend upon) weakening the concept of sovereignty. But whether one would agree with this thesis is only of theoretical interest, inasmuch as there is in the foreseeable future not the slightest prospect of a modification in NATO's present constitutional character. It is of more immediate interest to state that the inability of those directly or indirectly involved to reach an acceptable compromise is not only regrettable in itself but, also, is a symp-

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tom of the diminishing realization of the necessity for political solidarity in and for the sake of the alliance.

Conclusion: Danger Ahead?

One can, I think, without exaggeration advance the thesis that the facts and developments mentioned above — and the list might have been longer! — give some reason for reflection. And this is all the more true when one agrees with the fundamental thesis that an alliance cannot be, in the long run, successfully united in collective defense if politically it is not sufficiently able to convey to others the image and the reality of solidarity. There is, nowadays, a good deal of discussion, on both sides of the Atlantic, about the nuclear aspects of NATO's defense posture, and rightly so; but perhaps there is not nearly enough attention given to the problems of its political role. And yet, the evolution outlined above is not only relevant to the political aspect of the deterrent, it is also dangerous for NATO's future *military* solidarity. To the extent that certain member states would go their own way politically or would deliberately try to limit the political role of the alliance, it is difficult to expect other allies to continue making sacrifices for defense, sacrifices which in all countries, at all times and with all governments, are anything but popular. In other terms, we risk going back to the situation of thirty years ago, the dangers of which precisely necessitated the creation of the alliance — with the added complication of a growing aversion to nuclear weapons in some member countries. Of course, in objection to this line of thought, some argue that the alliance in a changing world situation is less necessary than before and that we, therefore, should be willing to reduce our requirements and expectations. This, however, is a thesis which does not appear justified in view of the redoubtable and ever increasing power of the Soviet Union, whose expansion is not highlighted only by so-called Atlanticists. For my part, I fully agree with those individuals — and they are persons of some consequence and authority — who have recently expressed the opinion that the world is moving toward a situation more dangerous than anything we have known in the past.

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CONTROLLED CONFLICT: SOVIET PERCEPTIONS OF PEACEFUL COEXISTENCE

by Graham D. Vernon

Differences between the United States and the Soviet Union are both real and deep enough that neither side needs the additional burden of terminological ambiguity. Yet it is apparent, even to the casual observer of world events, that U.S. and Soviet interpretations of the "rules" of peaceful coexistence or of detente — the terms have essentially the same meaning for the Soviets — are widely divergent. (For Soviet definitions of "peaceful coexistence" and "detente," see Appendixes A and B, below.) While it is true that in diplomacy it is sometimes useful to perpetuate ambiguities in order to conceal differences, the technique tends to be more useful when the differences are peripheral. Because peaceful coexistence is central to U.S.-Soviet relations, it is essential that we should understand, though not necessarily accept, the Soviet view of that policy and how it fits into their view of our relationship. As the Soviets have written and spoken about the issues openly, consistently and in detail, the task should not be difficult. Yet the outcry, from a variety of official and unofficial sources in the United States, that the Soviets have "broken the rules of detente" suggests either that the Soviets have in fact broken the rules or that they are playing by different rules.

The difference is more than semantic. If the Soviets have modified mutually agreed guidelines, then there is hope they can be persuaded to conform to the earlier terms. If, however, the fundamental U.S. and Soviet concepts of detente are at odds, the problem is more difficult and the search for common ground will be more arduous.

In this paper, then, we shall examine the Soviet concept of peaceful coexistence: its origins, its dimensions and its role in Soviet policy. Soviet sources will be used almost exclusively so that Soviet logic and Soviet perceptions may be grasped. When

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writing from the Soviet viewpoint, one inevitably runs the risk of appearing to support Soviet positions. That, of course, is not my intent. To twist a once popular phrase, my purpose is to tell it like the Soviets say it is, not to tell it like it is. There is sometimes a difference. Only after one understands the Soviet approach to peaceful coexistence and the depth of their commitment can the implications for U.S. security be assessed.

The Genesis of Peaceful Coexistence

Peaceful coexistence, as a concept in Soviet foreign policy, goes back nearly to the birth of the Soviet Union and, according to the Soviets, originated with Lenin.[1] Whatever its origins, the policy was in part a product of the failure of the Russian Revolution to spark similar revolutions throughout Western Europe as Lenin and the Bolsheviks had anticipated it would. As a consequence of that failure, the Soviet Union, rather than being in the vanguard of a general uprising against capitalism, found itself surrounded. The Soviets also found themselves with a host of internal problems, including a rather ineffective army, active opposition from the Whites, and the armed intervention of the Entente.

Adding to the urgency of the situation was the Soviet belief that war between the USSR and the capitalists was imminent and inevitable. As expressed by Lenin at the Eighth Party Congress in 1919, "We are living not only in a state but in a system of states, and it is inconceivable for the Soviet Republic to exist alongside of the imperialist states for any length of time. One or the other must triumph in the end and before that end comes there will have to be a series of frightful collisions between the Soviet Republic and the bourgeois states."[2] If war with the imperialists was unavoidable, the timing of that war was not. The need was to buy time, and the policy pursued to gain that time was peaceful coexistence. Foreign Commissar George Chicherin was probably first to use the term when he called (in 1920) for "peaceful coexistence with other governments, no matter who they are."[3] As developed in this early stage, the policy had as its goal the avoidance of war and took several forms. A "peace offensive" was directed toward exploitation

[1] See, for example, Brezhnev's speech to the Twenty-fifth Party Congress, *Pravda*, February 25, 1976. The Soviets often assert policies were initiated by Lenin because it gives the policy greater legitimacy. For a scholarly examination of the source of the policy, see Franklyn Griffiths, "Origins of Peaceful Coexistence," *Survey*, January 1964, pp. 195-201.

[2] V. I. Lenin, *Collected Works* (Moscow: Progress, 1972), vol. 29, p. 153.

[3] Griffiths, "Origins of Peaceful Coexistence," p. 195.

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of the differences among capitalist states. The 1922 Rapallo Treaty between Germany and Russia was one of the more successful fruits of the policy. Attempts were also made to woo those portions of the capitalist world inclined toward pacificism. According to Maxim Litvinov, "Between 1918 and 1921, we made no less [*sic*] than twenty peace proposals to different powers."[4] Finally, through the Comintern, the Soviets promoted revolution in the imperialist world, and the uprisings in Hungary (1919) and Germany (1920) were at least partly attributable to that effort.

After Lenin's death in 1924, Stalin endorsed the essence of peaceful coexistence and prescribed its continuation: "Hence our task is to pay attention to the contradictions in the capitalist camp, to delay war by buying off the capitalists and to apply all measures to maintain peaceful relations. . . . The basis of our relations with capitalist countries consists of admitting the coexistence of the two opposing systems. It has been fully verified by practice."[5] Stalin continued this theme into the thirties. It crops up, for example, in a speech that clearly reveals both the Soviet sense of inferiority and the intensity of their feelings. Stalin's words, in fact, are reminiscent of Knute Rockne and Vince Lombardi:

> It is sometimes asked whether it is not possible to slow down the tempo somewhat, to put a check on the movement. No, comrades, it is not possible! The tempo must not be reduced! . . .
>
> To slacken the tempo would mean falling behind. And those who fall behind get beaten. But we do not want to get beaten. No, we refuse to be beaten. One feature of the history of old Russia was the continual beatings she suffered because of her backwardness. She was beaten by the Swedish feudal lords. She was beaten by the Polish and Lithuanian gentry. She was beaten by the British and French capitalist. She was beaten by the Japanese barons. All beat her — because of her backwardness, because of her military backwardness, cultural backwardness, political backwardness, industrial backwardness, agricultural backwardness. They beat her because to do so was profitable and could be done with impunity. . . . Such is the law of the exploiters — to beat the backward and the weak. It is the principal law of capitalism. You are backward, you are weak — therefore you are wrong; hence you can be beaten and enslaved. . . .
>
> Do you want our socialist fatherland to be beaten and to lose its independence? If you do not want this, you must put an end to its backwardness in the shortest possible time and develop a genuine Bolshevik tempo in building up its socialist economy. There is no other way. That is why Lenin said on the eve of the October Revolution: "Either perish, or overtake and outstrip the advanced capitalist countries."

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[4] *Pravda*, November 30, 1922.

[5] J. V. Stalin, *Works* (Moscow: Foreign Language Publishing House, 1955), vol. 10, p. 296.

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> We are fifty or a hundred years behind the advanced countries. We must make good the distance in ten years. Either we do it, or we shall go under.[6]

Stalin gave this speech in 1931, ten years before Germany attacked the Soviet Union.

Thus, peaceful coexistence as a Soviet policy was developed by a leadership which perceived it needed time to prepare for an "inevitable" war. The implementation of that policy was characterized by (a) efforts to divide potential opponents, (b) a peace offensive designed to appeal directly to the peoples of the world and (c) Comintern efforts to strengthen non-Soviet Communist parties.

Peaceful Coexistence and Internationalism

Peaceful coexistence continued as an integral part of Soviet foreign policy following World War II, albeit with varying emphasis. In tracing the course of postwar peaceful coexistence, Communist Party congresses serve as useful bench marks. It is at these party congresses that the world situation is reviewed, past accomplishments evaluated and future policies announced, usually in a keynote address by the general secretary of the party. For that reason, it may be helpful to examine briefly the party line on peaceful coexistence, as reflected from the Nineteenth Party Congress in 1952 through the Twenty-fifth Party Congress in 1976. Party congresses are usually held every five years, although this rhythm was broken when congresses were held in 1958, 1959 and 1961. In addition, particularly useful statements other than those from congresses will be cited to highlight shifts and trends in Soviet policy.

To understand the party line on peaceful coexistence, one must also consider the development of a second thread of Soviet foreign policy during the postwar period: "internationalism," or "proletarian internationalism." Applying to Soviet relations with other socialist countries and with selected revolutionary efforts in the Third World, this concept is purported by the Soviets to have originated in the early days of communism, when economic class was thought to be a more binding force among people than nationality, a time when the cry Workers of the World, Unite reflected what many thought was an achievable goal. The theory foundered on the rocks of reality, and, in the twenties, the Soviets were forced

[6] *Ibid.*, vol. 13, pp. 40-41.

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to forgo immediate world revolution and adopt a policy of "socialism in one country." Today, internationalism is stressed internally as one of the many links between the leadership and its revolutionary past. It tends to legitimize the role of what is (at least within the USSR) a status quo, conservative party.

Externally, internationalism is largely an ideological fig leaf, an attempt to disguise a classic great-power expansionist policy: it rationalizes Soviet intervention, both in the Third World and within the socialist camp. The so-called Brezhnev Doctrine, invoked in support of the Czechoslovakian intervention, is an example of proletarian internationalism in action.[7] The line has also proved useful in the Soviet battle with China over ideological leadership, encouraging Third World Marxist (and not so Marxist) movements to look to the Soviet Union for aid. Thus, it is partly under the rubric of proletarian internationalism that the USSR claims its role as a superpower. As Brezhnev proudly maintained at the Twenty-fifth Party Congress: "In today's conditions, our Party's activities in the international arena are unusually broad and diversified; there is probably no spot on earth in which the state of affairs does not have to be taken into consideration, in one way or another, in the formation of our foreign policy."[8]

The interacting roles of peaceful coexistence and proletarian internationalism were put forth succinctly in the Soviet journal *International Affairs*:

> Throughout the existence of the Soviet state, all of its foreign policy acts have adhered to two main principles, originally elaborated by Lenin. First, there is the principle of internationalism, which is the starting premise in relations between the Soviet Union and the socialist countries, and the countries fighting for the national liberation. Second, there is the principle of peaceful coexistence, for the establishment of which in relations with the capitalist states, the Soviet Union, and the other fraternal countries have always stood.[9]

The two lines, then, complement one another and guide Soviet

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[7] The Brezhnev Doctrine was first expressed as such in a major article in *Pravda*, December 26, 1968, by Professor S. Kovalev, whose field is the history of materialism. H. Gordon Shilling points out in his book *Czechoslovakia's Interrupted Revolution* (Princeton, N.J.: Princeton University Press, 1976), pp. 728-729, that the doctrine was not new. The Warsaw Letter described the events in Czechoslovakia as the "common affair" of all, claiming that all socialist countries had the duty to act in defense of the "common vital interests." Further, the Bratislava Declaration affirmed "the common international duty of all socialist countries to support, strengthen, and defend these socialist gains."

[8] *Izvestia*, February 25, 1976.

[9] E. Blinov and M. Dremmer, "A Time Tested Policy," *International Affairs* (Moscow), February 1971, p. 5.

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policy in two separate areas: relations with the capitalist world and relations with the Communist and selected Third World nations.

Immediately after World War II, peaceful coexistence was a low-key element of Soviet foreign policy. Traces of it can be found in Malenkov's speech to the Nineteenth Congress in 1952: "the Soviet Union is seeking to prevent any war between states; it advocates the peaceful settlement of international conflicts and differences."[10] But it was Khrushchev, in his 1956 speech to the Twentieth Party Congress, who again made the line a central theme of Soviet foreign policy. In his presentation, Khrushchev stated that "if the well-known five principles of peaceful coexistence were to underlie the relations between the USSR and the USA, that would truly be of great importance to all mankind." He went on to list the five principles: mutual respect for territorial integrity and sovereignty; nonaggression; noninterference in each other's internal affairs; equality and mutual benefit; peaceful coexistence and economic cooperation."[11] Khrushchev further stated that "the Leninist principle of peaceful coexistence of states with different social systems has always been and remains the general line of our country's foreign policy. . . . It is not a tactical move but a fundamental principle of Soviet foreign policy. . . . Indeed, there are only two ways: either peaceful coexistence or the most destructive war in history. There is no third way."[12] Other than to deny that "victory will be achieved through armed interference by the socialist countries in the internal affairs of capitalist countries" and to assert that socialist freedom "is not brought in from abroad in baggage trains, like Bourbons," Khrushchev made little mention of proletarian internationalism.[13] In all of this, Khrushchev does not assert that peaceful coexistence has been achieved: he makes it a goal of Soviet foreign policy rather than an accomplished fact.

At this same Twentieth Party Congress, Khrushchev dramatically changed the party's position on the inevitability of war. Now, according to Khrushchev, "As long as capitalism survives in the world, reactionary forces, representing the interests of capitalist monopolies, will continue their drive toward military gambles and aggressions and may try to unleash war. But war is not a fatalistic inevitability."[14] This fundamental change had the effect of converting peaceful coexistence from a tactic devised to gain time before the

[10] *Pravda*, October 6, 1952.
[11] *Ibid.*, February 15, 1976.
[12] *Ibid.*
[13] *Ibid.*
[14] *Ibid.*

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inevitable holocaust into an open-ended, long-term strategy. The Brezhnev leadership has continued the Khrushchev line in this regard.

Khrushchev maintained that war was no longer inevitable because communism had grown so strong that imperialism, although as predatory as ever, was reluctant to risk an attack.[15] Possibly he believed this, in spite of the nuclear inferiority of the Soviet Union at the time. It is certainly true, however, that an ideology promising eventual nuclear war leaves something to be desired. In all likelihood, the force behind both the resurgence of the doctrine of peaceful coexistence and the shift away from the inevitability-of-war doctrine is one and the same: the realization that a nuclear war would be ruinous.

The Twenty-first Party Congress, which ran from January 27 to February 5, 1959, dealt primarily with economic matters, but Khrushchev, as he had done at the Twentieth Party Congress, referred to the policy of peaceful coexistence: "We act upon the principle that relations among states with different social systems must be based on peaceful coexistence."[16] He also made a tempered reference to internationalism, maintaining that "our country, like the other socialist countries, has supported and will support the national liberation movement."[17]

In a speech on the international situation and Soviet foreign policy — a speech made to the Supreme Soviet, not to a party congress, on October 31, 1959 — Khrushchev saw progress: "the recent period has been marked by a conspicuous improvement in the international atmosphere." Then he asked and answered a question: Why the improvement? "What are the principal reasons for the recent changes in the international situation? The chief reason is the growth of the power and the international influence of the Soviet Union and of all the countries in the world socialist system." He concluded: "The truth of the matter is that these days peaceful coexistence is a real fact, and not someone's plea or desire. It is an objective necessity, deriving from the present situation in the world, from the contemporary stage in the development of human society." Then Khrushchev drove home the point: "The question now at hand is not whether or not there should be peaceful coexistence. It exists and will continue to exist, unless we want the lunacy of a nuclear-missile war."[18]

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[15] *Ibid.*
[16] *Ibid.*, January 23, 1959.
[17] *Ibid.*
[18] *Izvestia*, November 1, 1959.

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There is no reference in the speech to Soviet responsibilities regarding "internationalism" or the support of Third World revolutionary movements. In fact, Khrushchev mentioned the struggle taking place in Laos and said that "the main point is for the great powers not to intrude into the internal affairs of other states; otherwise there may be undesirable consequences."[19]

Nonintervention, however, was a policy that the Soviets saw as applying only to the "reactionary" states. In a speech to the Moscow Conference of eighty-one Communist parties, held in January 1961, Khrushchev elevated proletarian internationalism to a lofty position in Soviet foreign policy. After differentiating the types of wars that could occur (world wars, local wars and wars of liberation), he addressed wars of liberation in particular: "What attitude do Marxists have toward such uprisings? The most favorable. . . . these are uprisings against rotten reactionary regimes and against colonialists. Communists fully and unreservedly support such wars and march in the vanguard of the peoples fighting wars of liberation." In the same speech, he asserted: "Thus, in terms of social content the policy of peaceful coexistence is a form of intensive economic, political and ideological struggle of the proletariat against the aggressive forces of imperialism in the international arena."[20]

In a generally hard-line speech to the Twenty-second Party Congress in October 1961, Khrushchev maintained that "the principles of peaceful coexistence worked out by V. I. Lenin and developed in our party's documents remain unalterably the general course of Soviet foreign policy." His views on the internationalist aspects of Soviet policy were uncompromising:

> Throughout all these years the Soviet Union, unswervingly fulfilling its internationalist duty, has been helping people who are fighting against colonialism and imperialism. Some people do not like this stand. Too bad. Such are our convictions. . . . We believe it is the unalienable right of peoples to put an end to foreign oppression, and we shall support their just fight. Colonialism is dead and a stake will be driven into its grave. Such is the will of the people, such is the course of history.[21]

Brezhnev made his party congress debut as general secretary at the Twenty-third Party Congress in March 1966 and devoted considerable attention to the international situation. Concerning peaceful coexistence, he said:

> The Soviet Union, together with the other countries of socialism, has pur-

[19] *Ibid.*
[20] *Pravda*, January 25, 1961.
[21] *Ibid.*, October 18, 1961.

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sued its policy under the banner of struggle for the relaxation of tension, for the strengthening of peace, for the peaceful coexistence of states with different social systems, for the establishment of such conditions in international life as will enable each people to develop fully along the path of national and social progress.

Turning to proletarian internationalism, he went on to assert that

our party and the Soviet people support that struggle [against colonialism] actively, gives and will continue to give tangible all-round assistance to the peoples who are fighting against foreign invaders, for their freedom and independence. We know for certain: The day is not far distant when the last hotbeds of colonialism will be destroyed and the people will raise the banner of national freedom over the liberated lands. This is the verdict of history, and it is irreversible.

Later in his speech, Brezhnev addressed the link between the two policies:

Comrades! In exposing the aggressive policy of imperialism, we at the same time consistently and unswervingly pursue a course of the peaceful coexistence of states with different social systems. This means that the Soviet Union, while it regards the coexistence of states with different social systems as a form of the class struggle between socialism and capitalism, at the same time consistently advocates the maintenance of normal, peaceful relations with the capitalist countries, the solution of controversial interstate issues through negotiations and not through war. The Soviet Union firmly stands for noninterference in the internal affairs of all states, for respect for their sovereign rights and the inviolability of their territories.

Naturally, there can be no peaceful coexistence when it comes to internal processes of the class and national liberation struggle in the capitalist countries or in the colonies. The principle of peaceful coexistence is not applicable to the relations between the oppressors and the oppressed, between the colonialists and the victims of colonial oppression.[22]

The Twenty-fourth Party Congress continued this general line, though Brezhnev did not use the term "peaceful coexistence." A possible explanation for this can be found in a comment he made to the effect that the United States had recently taken a tougher stand on a number of international issues. In any event, Brezhnev endorsed the dual line and policy. After asserting that the Soviet Union would continue the "policy of the active defense of peace," and after detailing the main tasks in that policy, he ended by saying: "We declare that, consistently pursuing a policy of peace and friendship among peoples, the Soviet Union will continue to wage a resolute struggle against imperialism and will administer a firm rebuff to the intrigues and sabotage of aggressors. We shall

[22] *Ibid.*, March 30, 1966.

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continue, as in the past, steadfastly to support the struggle of people for democracy, national liberation and socialism."[23]

In 1972, after this party congress, a summit meeting took place between Nixon and Brezhnev. One of the results was a document entitled "Basic Principles of Relations Between the Union of Soviet Socialist Republics and the United States of America." (For the full text, see Appendix C.) The first of the twelve articles specifies that "they [the United States and the USSR] will proceed from the common determination that in the nuclear age there is no alternative to conducting their mutual relations on the basis of peaceful coexistence." The document is historic in that the leaders of the opposing blocs agreed to conduct their relations "on the basis of peaceful coexistence." A long-sought goal of Soviet foreign policy had been achieved, at least on paper.

The most recent party congress, the twenty-fifth, was held from February 24 to March 5, 1976. There the two-pronged character of Soviet policy, articulated by Brezhnev, was explicit in regard to peaceful coexistence: "The main element in our policy with respect to the capitalist states has been and remains the struggle for the affirmation of the principles of peaceful coexistence, for lasting peace, and for lessening and in the long run eliminating the danger that a new world war will break out." Addressing the internationalist aspect of Soviet policy, Brezhnev stated: "Our party supports and will continue to support, peoples who are fighting for their freedom." Further: "I should like to place special emphasis on the importance of proletarian internationalism in our time. This is one of the main principles of Marxism-Leninism. . . . From our point of view the renunciation of proletarian internationalism would mean depriving the Communist Parties and the workers' movement in general of a powerful and tested weapon." Brezhnev then explained the relationship of the two lines:

> Some bourgeoise politicians affect amazement and raise a howl over the solidarity of Soviet Communists and the Soviet people with the struggle of other people for freedom and progress. This is either naivete or, more likely, deliberate obfuscation. After all, it could not be clearer that detente and peaceful coexistence refer to relations between states. This means above all that disputes and conflicts between countries must not be settled by means of war or by means of the use of force or the threat of force. Detente does not in the slightest abolish, and it cannot abolish or alter, the laws of the class struggle. We don't conceal that we see in detente a way

[23] *Ibid.*, March 31, 1971.

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to the creation of more advantageous conditions for peaceful socialist Communist construction.[24]

The foregoing sketch of postwar Soviet statements on peaceful coexistence and international proletarianism suggests several trends. *First,* both policies have become increasingly central to Soviet foreign policy — one governing Soviet relations with capitalist states, the other with socialists and selected Third World states. *Second,* as these policies have moved to center stage — and as they have raised questions in the West — the Soviets have taken pains to define them explicitly and to articulate their relationship to one another. *Finally,* these trends have occurred simultaneously with a third, perhaps not unrelated, trend: that of growing Soviet military might.

Why Peaceful Coexistence?

While Soviet support for a policy of peaceful coexistence has historical continuity, the rationale supporting that policy does not. As noted above, the policy's principal prewar justification was the need for a time of peace that would enable the young Soviet state to consolidate its power and build its defenses. That time has long since passed, yet the policy remains. Why? The answer to this question defines the depth of Moscow's commitment to the policy.

The evidence suggests that the Soviets' commitment to the policy — as they define it — is fundamental. They use it as a means of minimizing the danger of a catastrophic nuclear war.

The Soviet Union has often expressed the idea that the alternative to a policy of peaceful coexistence is nuclear war. Brezhnev commented on this in his 1977 speech commemorating the sixtieth anniversary of the October Revolution: "International relations are now at a crossroads, as it were. The road we take will lead either to growth in trust and cooperation or to growth in mutual fears, suspicion and weapons stockpiles. It will lead eventually either to lasting peace or, at best, to teetering on the brink of war. Detente offers the opportunity of choosing the road of peace. To miss this opportunity would be a crime."[25] It can be argued that rhetoric of this kind is designed to influence world opinion rather than to serve as an accurate reflection of Soviet belief. In truth, it most probably serves both purposes.

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[24] *Izvestia,* February 25, 1976.
[25] *Pravda,* November 3, 1977.

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Almost certainly the Soviets have a deep-seated fear of nuclear war and believe that such a war is not "unthinkable" but, rather, a very real possibility. Motivated in part by their history — having suffered the atrocities of Genghis Khan, Tamerlane and Adolf Hitler — and in part by their logic, the Soviets have taken concrete steps to prepare for the nuclear war they do not want. They have a large military organization backed by considerable funding for civil defense. Their military doctrine emphasizes a war-fighting capability rather than deterrence. The percentage of their GNP committed to defense has averaged around 11-13 per cent over the past few years.[26] These facts, coupled with the Soviet statements cited above, lead to the conclusion that (1) Soviet leaders are enormously concerned about the dangers of nuclear war, (2) they are not very optimistic about the possibility of avoiding nuclear war, and (3) they believe that their policy of peaceful coexistence offers the most likely means of avoiding such a war. This is not to suggest that the current Soviet military build-up and considerable civil defense efforts do not spring from other motivations, as well. Whatever Moscow's thoughts on nuclear war, a demonstrated Soviet superiority in nuclear and conventional weapons will serve as a tremendously useful political tool, both in peacetime and in crisis situations.

Peaceful coexistence is a linchpin in Soviet foreign policy — not because the Soviets are benign, not because they confuse friendship and peaceful coexistence, but because they believe it offers the only reasonable alternative to a nuclear holocaust. They recognize, as Khrushchev aptly expressed it in response to Chinese attacks against the policy of peaceful coexistence, that "the atomic bomb does not adhere to the class principle."[27]

Peaceful coexistence serves a second purpose. It fits well with Soviet efforts to portray themselves as the champions of world peace, to persuade the world that the Soviet Union, along with all "progressive and peace-loving" people, is working to reduce the threat of war. It is interesting that the aforementioned five principles of peaceful coexistence, enumerated by Khrushchev at the Twentieth Party Congress, had already been adopted at the 1955 Bandung

[26] See, for example, A. A. Sidorenko, *Nastuplanie* [The Offensive] (Moscow: Military Publishing House, 1970), which is also available in English translation by the U.S. Air Force (Washington: GPO). The bulk of the articles in *Voenni Vestnik*, a monthly military journal devoted to battalion-level tactics, assume a nuclear environment. For statistics on Soviet military spending, see "The Military Balance, 1977/78," *Air Force Magazine*, December 1977, p. 113.

[27] CPSU Central Committee "Open Letter to All Party Organizations and All Communists of the Soviet Union," *Pravda*, July 14, 1963.

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Conference of nonaligned states. These efforts, say the Soviets, are being thwarted by "influential circles" in the West who retain a "cold-war psychology" and seek to impede Soviet efforts to achieve genuine peace.[28] Those familiar with Soviet political statements are aware that they include few shades of gray: the position of the USSR is correct; opposing positions are incorrect. While this largely one-dimensional approach may appear unsophisticated, it has generated considerable sympathy around the world, and Soviet statements that nuclear war is the alternative to peaceful coexistence are a part of the campaign.

Besides offering an alternative to nuclear war and aside from its utility as propaganda, peaceful coexistence, according to the Soviets, abets the expansion of communism. Brezhnev, in his speech to the Twenty-fifth Party Congress, made this point explicitly:

> We make no secret of the fact that we see detente as a path leading to the creation of more favorable conditions for peaceful socialist and communist construction. This only confirms that socialism and peace are indivisible [*applause*]. When we are reproached for saying this, it is hard to keep from thinking that those who reproach us lack confidence that capitalism is capable of existing without resorting to aggression and threat of arms, without encroaching on the independence and interests of other people.[29]

There is an element of defensiveness in Brezhnev's statement, sug-

[28] Statements like these are common in Soviet speeches and writings on international relations. See, for example, Brezhnev's speech at the Twenty-fifth Party Congress, in *Izvestia*, February 25, 1976. See, also, G. Arbatov, a member of the Central Committee, Director of the USA Institute and a leading Soviet commentator on the United States: "When one is confronted by the immense danger created by the accumulated arsenal of the most refined types of weapons of mass destruction, weapons that are being improved all the time, different reactions are also possible. . . . The entire course of events suggests that in our age security can be ensured not by technological but by political means — through improvement of the international situation, detente, a sensible foreign policy, and restrictions on the arms race." ("Big Lie of Detente's Opponents," *Pravda*, February 5, 1977.)

[29] *Pravda*, February 25, 1976. This idea was expressed more strongly in a book edited by Soviet Minister of Foreign Affairs A. A. Gromyko: "Peaceful coexistence creates the most favorable conditions for mobilization of the masses in the struggle against imperialism, for a durable peace on earth. It serves the goal of strengthening the world socialist system, the expansion of the national liberation struggle of colonial and dependent countries and peoples, the widening of the class struggle of the proletariat of capitalist countries against the monopolistic bourgeoise and the widening unity of all sections of the people around the proletariat. For these reasons peaceful coexistence of the two systems is a specific form of the class struggle of socialism and capitalism in the world arena, without turning to military means, to weapons." (*Mirnoe Sosushchestvovanie — Leninskii Kurs Vneshnei Politiki Sovetskovo Soiuza* [Peaceful Coexistence — The Lenin Course of Foreign Policy of the Soviet Union]. Moscow: Institute of International Affairs, 1962, pp. 95-96.) President Ford had a different view of the benefits the Soviets might derive: "I totally disagree with those who claim that detente spells more advantages for the Soviet Union and more disadvantages for the United States. I reckon that both the USSR and USA have gained from detente." (*L'Express*, June 16-22, 1975.)

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gesting that in part he was answering critics, external or internal, who were attacking him and the policy of peaceful coexistence as being "soft on capitalism." Nonetheless, from this and similar statements, it can be argued that one justification for peaceful coexistence, in the Soviet view, is that it creates a more favorable climate for the worldwide advancement of communism.

Finally, peaceful coexistence is a means of increasing contacts. (See, for example, Appendixes A and B, below.) While these contacts include cultural and scientific exchanges, trade contacts are probably most important to the Soviets. Samuel Huntington, a Sovietologist and, until recently, a member of the National Security Council, has commented on this point: "During the past five or six years, the expanded trade with the West has been one of the principal benefits of detente to the Soviet Union, which has imported up to 30 billion worth of machinery and equipment."[30] According to Soviet sources, the volume of the USSR's foreign trade with industrial capitalist countries increased by nearly four times in the period 1970-1976; that is, from 4.7 to 18.7 billion roubles.[31] And the trade component of detente is likely to become still more important to the Soviets in the future. As Huntington notes, "They are now confronting great economic problems because the way they have expanded their economy in the past 20 years is no longer going to work. They now confront labor shortages and have to shift toward capital intensive technology."[32] In sum, the Soviets answer the question "Why peaceful coexistence?" with the argument that it is the alternative to nuclear war, that it furnishes propaganda advantages, that it furthers the expansion of communism and that it facilitates the widening of contacts, including trade. Among these, the first is most important by far.

The Soviets are no less explicit in explaining why the West has accepted peaceful coexistence. In their view, the policy has been forced on a reluctant imperialist bloc by a shift in the "correlation of forces." The West, which once advocated a policy

[30] "A Carefully Planned Soviet Bear Trap," *Washington Post*, August 20, 1978. For more detailed information on U.S.-Soviet trade, see *Selected Trade and Economic Data of the Centrally Planned Economies*, published by the Industry and Trade Administration, January 1978; *East-West Trade Update: A Commercial Fact Sheet for U.S. Business*, Overseas Business Report 78-23, July 1978, published by the Industry and Trade Administration; and *Trade of the United States with Communist Countries in East Europe and Asia, 1975-1977*, Overseas Business Report 78-32, September 1978, published by the Office of Internal Economic Research.

[31] "Soviet Trade Needs More Western Credits," *Current Digest of the Soviet Press*, August 31, 1977, p. 4. (Translation of an article by A. Dostal in *Ekonomicheskaya Gazeta*, no. 31, July 1977.)

[32] "Carefully Planned Soviet Bear Trap."

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of "massive retaliation" and, later, a policy of "flexible response," has now been forced, reluctantly and with heels dragging, by the increasing might of the socialist countries, to accept peaceful coexistence. This general line is usually expressed in terms such as those found in the Resolution of the CPSU Central Committee of January 31, 1977:

> The radical changes in the balance of world forces are the basis of a profound restructuring of the entire system of international relations.
>
> Over the past few years there has been a positive change in the development of international relations, a change from "cold war" to detente, to the affirmation of the principles of peaceful coexistence among states with different social systems in international practice. The threat of a world thermonuclear war has been reduced. There are more favorable international conditions for peacefully building socialism and communism, for the advance of the peoples' struggle for social progress. . . .[33]

The successes in making the world political climate "healthier," continued the resolution,

> have become possible above all because of the greater might of the Soviet Union and other socialist countries, because of their consistent peace policy and because of the persistent struggle for peace which broad popular masses on all continents are waging. The ruling circles in capitalist countries now have to recognize that designs for a military victory are hopeless and senseless. In the foreign policy of a number of capitalist countries more realistic trends are coming to the fore and their leaders are coming to realize the need for peaceful coexistence among states with different social systems.

Military Detente

Brezhnev added another dimension to detente in his Twenty-fifth Party Congress speech, when he noted that "political detente needs to be backed up by military detente."[34] Military detente, as pointed out in a document entitled "On the Results of the Conference on Security and Cooperation in Europe," is the top priority today. According to the Soviet author A. Yefinov, the main components of miltary detente are "a reduction and subsequent

[33] "Resolution of the CPSU Central Committee of January 31, 1977 on the 60th Anniversary of the Great October Socialist Revolution," *International Affairs,* March 1977, p. 10. The same line was evident as long ago as 1962: "The drastic change in the arrangement of forces in favor of socialism, the collapse of the colonial system, the growth of the worker and communist movement has exerted decisive influence on the situation of the world capitalist system. The world capitalist system has entered a new third stage in its general crises, of which the distinctive feature is that it appeared and is developing not in connection with war, but in a situation of a sharp change in the correlation of forces between the two world social systems — capitalist and communist — in favor of the latter." (Gromyko, ed., *Mirnoe Sosushchestvovanie.*)

[34] *Pravda,* February 25, 1976.

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ending of the arms race; advancement along the road leading to general and complete disarmament; reduction of military confrontation in Europe; [and a] gradual overcoming of the division of Europe into opposing military blocs."[35]

Dimitry Proektor, a member of the Institute of World Economics and International Affairs (IMEMO), Moscow, outlined the issue of military detente in somewhat greater detail in an article entitled "Military Detente: Primary Task."[36] The main points of the article are summarized below:

(1) The basic content of military detente must be a quantitative and qualitative restraint of the arms race, a gradual cutback of armed forces and, eventually, general and complete disarmament.

(2) Military detente cannot come about without substantial improvement in the political climate; but once military detente does begin, it can have a favorable influence on political detente.

(3) The Soviet Union must be careful to distinguish between those proposals designed to achieve genuine detente and those designed "to camouflage qualitative technological improvements that are in the pipeline, and that are, in effect, aimed not at reducing but at raising the combat strength of the armed forces. That is the kind of intentions that have over a number of years inspired the various NATO concepts which were presented to the public as proposals for military detente."

(4) It is not probable that an agreement can be achieved which will balance out armed forces in all components; for this reason, political compromises are necessary.

(5) Because capitalists attempt to achieve advantage through qualitative improvements of weapons and military hardware, reductions in personnel without reductions in weaponry and hardware do "not yet" amount to military detente.

(6) One of the "central elements" of military detente is the problem of limiting and subsequently reducing the strategic nuclear arms of both sides.

(7) The Vladivostok summit meeting in November 1974 was a milestone on the road toward military detente. The meeting made it possible (a) to achieve a total quantitative ceiling on the basis of an equivalence of forces and (b) to put a partial limit on qualitative improvements: "Consequently, it has been most forcefully demonstrated that political decisions taken at the summit level, and mutual understanding and reasonable compromise, which are best achieved at such meetings, are of crucial importance for the military detente."

(8) The mutual reduction of armed forces and armaments in central Europe is another important area of military detente. Western efforts to secure unilateral military advantages have been the principle stumbling block in these negotiations, and little progress has been made.

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[35] "Problems of Military Detente in Europe," *International Affairs*, December 1975, p. 33.

[36] *Ibid.*, June 1976, pp. 35-43. (Also published in *Survival*, vol. 18, November-December 1976.)

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In summary, Proektor says that while gains have been made toward achieving military detente, it remains at a lower level than political detente. Among the prime reasons for this is the Western tendency to look upon military strength as an absolute, to believe that a relaxation of tensions should naturally be played out against a sustained build-up of such strength. From this misconception, he continues, follow the theories of a "balance of forces," "balance of fear," "mutual deterrence" and so on, which Western leaders consider the basis of political stability: "Such conceptions rest on the totally incorrect premise that aggressiveness is inherent in the attitude of either side and that it can be 'contained' only by the threat of annihilation."

The one-sided cant of the Proektor article notwithstanding, it appears that the Soviets have chosen to make a separate issue of military detente, as opposed, for example, to economic detente. Assignment of "top priority" to military detente is another indication of the Soviets' overriding concern about nuclear war. As noted in Point 6, above, one of the "central elements" of military detente involves the limitation of nuclear weapons. A second key element is the reduction of forces in central Europe, an area that could very well suffer from the use of nuclear weapons should a war break out in that area.

Linkage

The term "linkage" has been used to relate apparently unrelated U.S.-Soviet issues. The Jackson-Vanik Amendment, for example, was an attempt to link the granting of most-favored-nation status with the freedom of Soviet Jews to emigrate. The Soviets have publicly resisted the concept of linkage, and, perhaps most troubling to Americans, have asserted (see above) that there is no contradiction between Soviet support of wars of liberation and peaceful coexistence. Their actions have conformed to this policy. The Strategic Arms Limitation Talks began in 1969, when the United States was heavily engaged in the Vietnam War; the first SALT agreement was signed in 1972, before the end of that war. Perhaps the most dramatic example of Soviet unwillingness to introduce linkage was furnished in May 1973. It was then, fourteen days before a summit meeting in Moscow, that Nixon announced the blockade of Haiphong Harbor and stepped up the bombing of North Vietnam. Although there was considerable speculation that the Soviets would cancel the meeting because of the bombing — according to Nixon,

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Kissinger believed the probability of cancellation was 75 per cent — the summit was held as scheduled.[37]

The Soviets also resisted public linkage of Jewish emigration with trade questions. According to President Nixon, a quiet, nonpublic and "unlinked" approach by himself and Kissinger was successful in increasing Jewish emigration. Emigration of Soviet Jews rose from 15,000 in the period 1968-1971 to 31,400 in 1972 and 35,000 in 1973; in addition, the high exit tax formerly charged those emigres was lowered to a nominal fee. In December 1973, the U.S. House of Representatives, with much publicity, passed the above-noted Jackson-Vanik Amendment, denying the Soviet Union most-favored-nation status because of its emigration policies: in 1974, 27,700 Jews were allowed to emigrate; in 1975, Jewish emigration from the USSR fell to 13,200.[38]

Brezhnev, speaking at a session of the U.S.-Soviet Trade and Economic Council in Moscow, directly attacked economic linkage: "Finally, attempts to put conditions on the development of trade and economic ties by making demands on the Soviet Union concerning questions that have nothing in common with the field and fall wholly and completely within the internal jurisdiction of states are completely inappropriate and unacceptable. It is time to realize clearly that such attempts at interference in internal affairs can bring nothing but harm, including harm to trade and economic relations between our countries."[39] Later, congressional restrictions on the activities of the U.S. Export-Import Bank led to Western speculation that this move might cause the Soviets to moderate their policies. Brezhnev's response was again direct: "In rejecting the insulting conditions set by Congress, the Soviet Government has taken the only sensible, the only correct step. This is not because 'the Kremlin' has reconsidered the importance of detente. It is because detente cannot be based on political blackmail — it requires mutual respect and a conversation between equals. It requires that words not be at variance with deeds."[40] He sounded the same theme at the Twenty-fifth Party Congress: "As is known, there have also been attempts at interference in our internal affairs in connection with

[37] *RN: The Memoirs of Richard Nixon* (New York: Grosset & Dunlap, 1978), pp. 603, 606.

[38] *Ibid.*, p. 876. For the 1974 figure on Jewish emigration, I am indebted to the Public Affairs Office, Bureau of European Affairs, U.S. Department of State. Figures from the Soviet Jewry Research Bureau of the National Conference on Soviet Jewry differ slightly: approximately 16,000 emigres from 1968 to 1971; 31,903 in 1972; 34,933 in 1973; 20,695 in 1974; and 13,459 in 1975. The trend is the same.

[39] *Izvestia*, October 16, 1974.

[40] *Ibid.*, January 18, 1975.

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the adoption by the US of discriminatory measures in the field of trade. Needless to say, we could not tolerate this, and we will not tolerate it. This is not the kind of language one can use with the Soviet Union. I think that now this is clear to everyone."[41]

The Soviets, then, appear sensitive to public, as opposed to private, pressure. Not only did Nixon comment on this, but Brezhnev alluded to it in the above statement when he spoke of "the kind of language one can use" when dealing with the USSR. Along the same lines, the angry Soviet rejection of Carter's initial SALT effort in the spring of 1977 stemmed in part from the fact that the U.S. negotiating position was made public. This is not to suggest that the Soviets would have found the proposals any more acceptable had they been put forward privately, but it is probable that their rejection would have been more tempered. Thus, linkage per se may be acceptable to the Soviet Union, but not when accompanied by public threats, which the Soviets tend to view as efforts to humiliate them. An old Russian proverb, *Tishe yedish, dal'she bydish* ("Go quietly, go farther") applies here. The secretiveness, at least by Washington standards, of the current SALT negotiations suggests that the Carter administration agrees.

Psychological Warfare

While rejecting the concept of linking the components of peaceful coexistence one to another, the Soviets have linked "psychological warfare" with the survival of the entire concept of peaceful coexistence. As argued by Arbatov in 1977, the worsening of U.S.-Soviet relations has been caused by a U.S.-led campaign "under the slogan of 'the defense of human rights.' "[42] As Arbatov put it,

[41] *Pravda,* February 25, 1976.

[42] Moscow, in fact, maintains that Soviet citizens do enjoy basic human rights. Brezhnev presented the official line on alleged "violations of human rights" in socialist countries when he spoke before the Sixteenth Congress of USSR Trade Unions: "What can be said on this score? In our country it is not forbidden to 'think differently' from the majority, to critically appraise various aspects of public life. We regard comrades who come out with valid criticism, who seek to help the cause, as conscientious critics, and we are grateful to them. We regard those whose criticism is mistaken as erring people.

It is another matter when several persons who have broken away from our society actively come out against the socialist system, take the path of anti-Soviet activity, break laws, and having no support within the country, turn abroad for support to the imperialist centers of propaganda and intelligence subversion. Our people demand that such public figures, if one may call them that, be treated as opponents of socialism, as people acting against their own homeland, as accomplices and sometimes even agents of imperialism. [*stormy, prolonged applause*] Naturally, we are taking and will continue to take measures against them as provided by our law. [*prolonged applause*]

And let no one take offense here: The defense of the rights, freedoms and security of 260 million Soviet people against the actions of such renegades is not only our

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"ideological struggle is the comparison of ideas and facts and a dispute over the intrinsic values of one or another system and must not be turned into a conscious incitement of distrust and hostility, the falsification of reality, or, even worse, subversive activity."[43]

Brezhnev, in an interview with *Le Monde,* argued the same point, adding this rather somber threat: "The ideological struggle should not develop into 'psychological warfare' and should not be used as a means of interference in the internal affairs of state and peoples or lead to political and military confrontation. Otherwise this ideological dispute may develop into a catastrophe in which, along with millions of people, their concepts, too, so to speak, may perish."[44] The Soviets, then, have linked psychological warfare with the success or failure of peaceful coexistence. This, in their view, is quite different from what the United States has attempted: viz., linkage of the components of detente to each other.

Conclusion: A New Rule Book?

Several conclusions may be drawn from the foregoing review. First of all, complaints that the Soviets have "broken the rules of detente" are ill-founded. The highest Soviet leadership has publicly, clearly, consistently and repeatedly articulated its policy. Moreover, Soviet deeds have been in harmony with their words. There may well be excellent grounds for disagreeing with that policy or with the way the United States is responding to some aspects of it, but those criticisms should be directed toward specific issues. To levy accusations that are demonstrably in error aids no one's credibility, nor does it contribute to a better understanding of the issue.

The advent of nuclear weapons ordained the Soviets' renunciation of the thesis that war was inevitable and made mandatory their search for a policy that would minimize the possibility of nuclear war. To meet that requirement, the Soviets resurrected a policy designed originally for essentially the same goal (the avoidance of war). Moscow's postwar policy of peaceful coexistence

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right but our sacred duty. [*applause*] It is our duty to the people who 60 years ago, under the leadership of the Party of Lenin, embarked on the path of the construction of socialism and communism. It is our duty to the people who, in defending the socialist homeland and their right to live in their own way, gave up 20 million lives in the great war against the fascist aggressors, gave them for the freedom and rights of the peoples, to the people who will never stray from their path! [*prolonged applause*]" (*Pravda,* March 22, 1977.)

Elsewhere the Soviets have maintained that human rights also include the right to work, the right to an education, etc., rights that are denied to the West. See, for example, *Pravda,* February 12, 1977.

[43] *Ibid.,* August 3, 1977.

[44] *Ibid.,* June 16, 1977.

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springs directly from the Soviets' belief that nuclear war would be ruinous. From this it follows that the USSR is committed not only to reducing the possibility of such a war, through arms reductions, trade and other means, but also to the idea that opportunities exist for progress of historic consequence.

This is not to suggest that collateral benefits may not flow to the Soviets from this policy. They may. Nor should it be thought that the Soviet desire to reduce the danger of nuclear war is tantamount to a policy of "peace at any price." As has been repeatedly demonstrated in SALT and other negotiations, the Soviets will drive as tough a bargain as they can, take advantage of existing loopholes and, in general, do what they can to secure an advantage over the West. This should come as no surprise. Moreover, it can be argued that the United States, as an open society, suffers from certain intrinsic disadvantages when negotiating with the USSR. Some might say, also, that these facts are reason enough to disavow peaceful coexistence as a policy and to reduce negotiations to a minimum. Yet, to pursue such a course would almost certainly result in a return to Cold War relations and increased spending on arms. Worse yet, it might lead to diminished, rather than increased, security.

Far better, it would seem, if the United States were to understand peaceful coexistence as the Soviets do: as a possible means of averting nuclear war. Such an understanding, however, must not be allowed to obscure the fact that the Soviet Union is fundamentally hostile to the United States, and that a return to the open hostility of the Cold War is better than risking the security of the United States through disadvantageous agreements. Peaceful coexistence is not friendship.

Because peaceful coexistence is designed to protect the USSR from the horrors of a nuclear war, it follows that should these horrors become "tolerable" in their view, the policy could change. "Tolerable," of course, is a subjective term, but it is possible that a technological breakthrough or gross changes in the nuclear balance might prompt the Soviets to re-evaluate their policy of peaceful coexistence and might put them on a course where certain gains could be worth the risk of nuclear war. Two conclusions can be drawn from this: *first,* the situation that today makes it feasible to reduce the possibility of nuclear war is not necessarily permanent; *second,* it is essential that the West keep the balance relatively stable and not allow the Soviets to achieve what they would call a "position of strength." That time has not yet, and may never, come. Today, were it possible to view the policy of peaceful coexistence in isola-

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tion, it would seem to be a reasonable and mutually advantageous basis on which to pursue relations between the United States and the Soviet Union. The past shows that compromises are achievable in trade, Jewish emigration and SALT.

The problem, however, is that peaceful coexistence cannot be viewed in isolation. It comes, part and parcel, with the Soviet policy of proletarian internationalism. The USSR claims a Leninist heritage for that policy also, but in this case the claim is specious. The Soviets' internationalist policy, however, does serve as a rationale for exercising what they perceive as their rights as a world power. For a long time, the United States has claimed and exercised the right, as the leader of the free world, to influence decisions around the globe; the Soviet Union, under the banner of proletarian internationalism, is following the same path. The Soviet record is spotty, and they are, more and more, accepting as "international brothers" leaders whose knowledge and practice of Marxism-Leninism is, at best, distant. A degree of conflict, sometimes approaching crisis proportions, will almost inevitably remain a part of U.S.-Soviet relations, even with peaceful coexistence. Nevertheless, it is difficult to accept a situation in which U.S.-Soviet bilateral relations are governed by the concept of peaceful coexistence, permiting Moscow to support revolutions, freely and blatantly, or to intervene against governments friendly to the United States.

The issue, then, is whether the United States and the Soviet Union can expand their common ground in an effort to reduce the possibility of nuclear war. The Basic Principles agreed to by both powers in 1972 established a framework to guide bilateral relations but did little to resolve the points of conflict that unavoidably develop between world powers, particularly those with opposed ideologies. Can U.S. pressure, coupled with Soviet reluctance to jeopardize peaceful coexistence, move the Soviets to abandon or, more realistic, to moderate their policy of proletarian internationalism? Or will the Soviets continue to insist the game be played by their own rules — rules that allow them to use peaceful coexistence as a shield for warding off nuclear war and to use proletarian internationalism as a sword to move forward in other areas?

Appendix A

The following definition is from *A Short Dictionary — Reference Book for Agitators and Political Information Officers* (Moscow: 1977). (Author's translation.)

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Peaceful Coexistence — The basic principle of the foreign policy of the USSR and other socialist countries in their relations with states with different social systems. "Chief in our policies with relation to capitalistic states was and remains the struggle for the affirmation of the principles of peaceful coexistence, for stable peace, for the lessening and eventual elimination of the danger of the occurrence of a new world war." (*Materials of the XXV Congress, Communist Party of the Soviet* Union [CPSU], p. 16.)

A firm rebuff to imperialism, support of the revolutionary liberation movement on the principle of internationalism is immutably combined in the foreign policy of the CPSU of the Soviet state with the constructive line of peaceful coexistence as a direct result of the victory of the socialist revolution, initially in one separate country. The existence side by side of socialist and capitalistic countries became objectively unavoidable, and that historically conditional necessity will remain throughout the period of change from capitalism to socialism on a worldwide scale. In modern historical conditions, peaceful coexistence is the only rational and acceptable alternative to a nuclear world war.

As a result of important and positive improvements occurring in current international relations, appearing as a result of undeviating change in the correlation of forces in the world arena in favor of socialism, the Leninist principle of peaceful coexistence received further strengthening, as for example the bilateral international treaties and other documents signed in recent years between the Soviet Union and France, the FRG, USA, Great Britain, Italy, [and] Canada, and also multilateral treaties between a number of countries, such as the Final Act of the Conference on Security and Cooperation in Europe, signed 1 August 1975 in Helsinki by leading representatives of 35 states. The Final Act, as was noted in the report of the Central Committee [CC], CPSU at the XXV Party Congress, "developed a code of principles of international cooperation — completely, both in letter and in spirit — which answers the demands of peaceful coexistence." (Material from the XXV Party Congress, p. 18.)

Peaceful coexistence includes a group of general democratic principles of international relations that obligate in particular the leadership of the European Conference who signed the Final Act of the Conference on Security and Cooperation in Europe.

In the policy of the CPSU and the Soviet state, peaceful coexistence is not an opportunistic, tactical ploy. It is a long-term strategic line, during the conduct of which firm adherence to principles is combined with required flexibility and wise, necessary compromises.

Peaceful coexistence does not extend to the class [struggle], and consequently, [does not extend to] the ideological struggle of the two systems. "In the struggle of the two world views there cannot be a place for neutralism and compromises. High political awareness is needed . . . a timely rebuff to antagonistic ideological diversions." (Material from the XXV CPSU Congress.)

The specific manifestation in modern conditions of the policy of peaceful coexistence was developed at the XXIV CPSU Congress Program of Peace, and *the Program for the Further Struggle for Peace and International Cooperation, for Freedom and Independence of Peoples* [italics in original], advanced by the XXV Party Congress, is an organic continuation of this policy. Thanks to the strength of the Soviet Union and [the] countries of the socialist commonwealth, the principles of peaceful coexistence are being more firmly put into practice in today's international relations. On the basis of wider cooperation of states with various social systems,

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[those principles] are widening in the most diverse areas — in the areas of politics, economics, science, technology, and culture. Strengthening and widening the material basis for the policy of peaceful coexistence does the same for detente.

"The whole world sees: the USSR is on the road to peace and peaceful coexistence," announced the General Secretary of the CC CPSU, L. I. Brezhnev at the October [1976] plenum of the CC CPSU — and "the whole world must know we will go forward on that road."

Appendix B

The following definition is from *A Short Dictionary — Reference Book for Agitators and Political Information Officers* (Moscow: 1977). (Author's translation.)

Detente — The process of reorganizing the modern system of international relations on the basis of peaceful coexistence, a gradual shift from confrontation of states of the two systems to a mutually advantageous working relationship.

"Detente," said the General Secretary of the Central Committee (CC) of the Communist Party of the Soviet Union (CPSU) L. I. Brezhnev in a speech in Tula, 18 January 1977, "is first of all an overcoming of the 'cold war,' a change to normal, regular relations between states. Detente is a readiness to decide differences and quarrels not with strength, not with threats and rattling of weapons, but by peaceful means, behind the negotiating table. Detente is a definite trust and ability to consider the legal interest of one another."

Detente is the principal, dominating tendency of modern public development. A change from the "cold war," from explosively dangerous confrontation of the two systems to detente, as was pointed out at the 25th Party Congress, is connected first of all with the changes in the correlation of forces in the world in favor of communism. Detente is a result of the steady increase in the strength and power of socialism, [of] the growth of its influence and authority in the international arena. This is the result of the actions in the struggle of the working class. [Of the] broad mass of working people against the system of capitalistic exploitation, of the successes of the national-liberation movement, the growth of the world revolutionary process. It is also the result of a definite turning to realism of the ruling circles of the leading capitalist countries, forced to cope with the changing correlation of forces in the world.

The foreign policy of the CPSU and the Soviet state, the broad and constructive program of peace, developed by the 24th Party Congress, played an important role in the liquidation of the "cold war" and the transition to detente. The successful realization of the main thesis of that program, in spite of serious difficulties and obstacles, showed that achievement of lasting peace in modern conditions is not a happy wish but an entirely practicable task. The most important direction of the struggle for strengthening peace in the current phase, for deepening the process of detente, is mentioned in the 25th Party Congress Program for the Further Struggle for Peace and International Cooperation, for Freedom and Independence of Peoples. Since the 25th Party Congress, as was mentioned in the October [1976] plenum of the CP USSR, a good deal of useful work has been accomplished.

In a political and international legal sense, detente relies on a complex of bilateral treaties and agreements signed in past years between the Soviet Union and

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France, the FRG, USA, Great Britain, Italy, Canada, and other states, between a number of socialist and capitalist countries, and on such important documents as the Final Act of the Conference on Security and Cooperation in Europe. Assuming a still more broad character, economic and scientific-technical cooperation between states with differing social systems assists the strengthening of the material basis of detente.

Detente — A mutually advantageous process, fully answering the fundamental interests of all countries and peoples insofar as it represents, in modern conditions, the only acceptable alternative to world nuclear war. For that reason, participants in the "Conference of Communist[s] and Workers' Partner[s] of Europe," which took place in Berlin in 1976, announced clearly that the policy of peaceful coexistence, active cooperation of states regardless of their social system, and detente contributes both to the interest of each people and to the progress of all humanity.

At the same time, detente in no way abolishes and cannot abolish or change the laws of the class struggle. On the contrary, it creates better conditions for the growth of the struggle of the working class and all democratic forces, for the inalienable right of each people to select freely the path of their development, for the struggle against the domination of monopolies, for [the] socialism [that] the process of detente is successfully developing. Giving a decisive rebuff to all the intrigues of the enemies of peace and socialism, a resolution of the CP USSR on the 60th Anniversary of the Great October Socialist Revolution noted that the Soviet Union and other socialist countries are striving for a further development of a favorable change in international conditions for peace and social progress, for the conversion of detente into an uninterrupted general process.

They also work so that the process will assume a more concrete, material form, and that military detente will be added to political detente.

The fraternal countries again declared the need to augment the force of the struggle for deepening detente at the meeting of the Political Consultative Committee of the Warsaw Pact in Bucharest, 25-26 November 1976.

In order to achieve detente it is necessary to overcome the bitter opposition of its enemies — primarily the more aggressive powers of imperialism, with whom are lined up the current leaders of China.

Speaking at the XVI Congress of Unions, USSR, L. I. Brezhnev underscored: "We want detente to continue. We will assist in all ways, for it answers the interest of the people."

Appendix C

Basic Principles of Relations Between the Union of Soviet Socialist Republics and the United States of America

The Union of Soviet Socialist Republics and the United States of America,

guided by their obligations under the Charter of the United Nations and by a desire to strengthen peaceful relations with each other and to place these relations on the firmest possible basis,

aware of the need to make every effort to remove the threat of war and to create conditions which promote the reduction of tensions in the world and the strengthening of universal security and international cooperation,

believing that the improvement of Soviet-American relations and their mutually advantageous development in such areas as economics, science and culture

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will meet these objectives and contribute to better mutual understanding and businesslike cooperation, without in any way prejudicing the interests of third countries,

conscious that these objectives reflect the interests of the peoples of both countries,

have agreed as follows:

First. They will proceed from the common determination that in the nuclear age there is no alternative to conducting their mutual relations on the basis of peaceful coexistence. Differences in ideology and in the social systems of the U.S.S.R. and the U.S.A. are not obstacles to the bilateral development of normal relations based on the principles of sovereignty, equality, noninterference in internal affairs and mutual advantage.

Second. The U.S.S.R. and the U.S.A. attach major importance to preventing the development of situations capable of causing a dangerous exacerbation of their relations. Therefore, they will do their utmost to avoid military confrontations and to prevent the outbreak of nuclear war. They will always exercise restraint in their mutual relations and will be prepared to negotiate and settle differences by peaceful means. Discussions and negotiations on outstanding issues will be conducted in a spirit of reciprocity, mutual accommodation and mutual benefit.

Both sides recognize that efforts to obtain unilateral advantage at the expense of the other, directly or indirectly, are inconsistent with these objectives. The prerequisites for maintaining and strengthening peaceful relations between the U.S.S.R. and the U.S.A. are the recognition of the security interests of the parties, based on the principle of equality, and the renunciation of the use or threat of force.

Third. The Soviet Union and the United States have a special responsibility, as do other countries which are permanent members of the United Nations Security Council, to do everything in their power so that conflicts or situations will not arise which would serve to increase international tensions. Accordingly, they will seek to promote conditions in which all countries will live in peace and security and will not be subject to outside interference in their internal affairs.

Fourth. The U.S.S.R. and the U.S.A. intend to widen the juridical basis of their mutual relations and to exert the necessary efforts so that bilateral agreements which they have concluded and multilateral treaties and agreements to which they are jointly parties are faithfully implemented.

Fifth. The U.S.S.R. and the U.S.A. reaffirm their readiness to continue the practice of exchanging views on problems of mutual interest and, when necessary, to conduct such exchanges at the highest level, including meetings between leaders of the two countries.

The two governments welcome and will facilitate an increase in productive contacts between representatives of the legislative bodies of the two countries.

Sixth. The parties will continue their efforts to limit armaments on a bilateral as well as on a multilateral basis. They will continue to make special efforts to limit strategic armaments. Whenever possible, they will conclude concrete agreements aimed at achieving these purposes.

The U.S.S.R. and the U.S.A. regard as the ultimate objective of their efforts the achievement of general and complete disarmament and the establishment of an effective system of international security in accordance with the purposes and principles of the United Nations.

Seventh. The U.S.S.R. and the U.S.A. regard commercial and economic ties as an important and necessary element in the strengthening of their bilateral relations

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and thus will actively promote the growth of such ties. They will facilitate cooperation between the relevant organizations and enterprises of the two countries and the conclusion of appropriate agreements and contracts, including long-term ones.

The two countries will contribute to the improvement of maritime and air communications between them.

Eighth. The two sides consider it timely and useful to develop mutual contacts and cooperation in the fields of science and technology. Where suitable, the U.S.S.R. and the U.S.A. will conclude appropriate agreements dealing with concrete cooperation in these fields.

Ninth. The two sides reaffirm their intention to deepen cultural ties with one another and to encourage fuller familiarization with each other's cultural values. They will promote improved conditions for cultural exchanges and tourism.

Tenth. The U.S.S.R. and the U.S.A. will seek to ensure that their ties and cooperation in all the above-mentioned fields and in any others in their mutual interest are built on a firm and long-term basis. To give a permanent character to these efforts, they will establish in all fields where this is feasible joint commissions or other joint bodies.

Eleventh. The U.S.S.R. and the U.S.A. make no claim for themselves and would not recognize the claims of anyone else to any special rights or advantages in world affairs. They recognize the sovereign equality of all states.

The development of Soviet-American relations is not directed against third countries and their interests.

Twelfth. The basic principles set forth in this document do not effect any obligations with respect to other countries earlier assumed by the U.S.S.R. and the U.S.A.

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THE SOVIET UNION AND THE EASTERN MEDITERRANEAN: 1968–1978*

by Alvin Z. Rubinstein

The Soviet position in the eastern Mediterranean has greatly improved over the past decade or so partly because of the sharp increase in Soviet naval power and military capability, but mainly because of the changed perceptions of the Soviet threat by regional actors and the political skill with which the Soviet Union has responded to regional instability. Moscow has resorted to diplomacy — not power — to weaken NATO's southern flank; it has taken advantage of troubles in the alliance and shifts in the attitudes of ruling elites. Thus, the erosion of NATO's unity — highlighted by the Greek-Turkish rift, the festering Cyprus issue and the gap between U.S. concerns in the Middle East and NATO's Eurocentric worries; the hostility of Libya and Algeria, the disaffection of Malta and the doubts in Spain and Portugal; and the growing polarization and anti-Americanism in Greece and Turkey — all serve to alter the broad strategic environment within which the U.S.-Soviet rivalry takes place, and to do so in ways that facilitate the advancement of Soviet objectives. However, improvement in the Soviet position in the eastern Mediterranean is not synonymous with a heightened Soviet threat to vital Western interests, so there is no need to sound the NATO alarm or exaggerate the nature of the Soviet threat that does exist. We must at least distinguish between the Soviet military threat to Western interests in the area, on the one hand, and the Soviet challenge to the Western political-economic order, on the other. Only by clearly differentiating between the two can we evaluate accurately the nature of the problem and the options available.

* This article is the product of a study on the strategic and political implications for NATO of Soviet policy in the Mediterranean-Middle East area, work on which was begun under a NATO Research Fellowship. The views are the author's own and are not to be construed as in any way representing official NATO policy. The author, however, expresses his appreciation to NATO for its assistance.

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II

Let us look briefly at the Soviet military threat in the Mediterranean. Too much has been made of the sizable "sea-denial force" that the Soviet Union deploys there. In the event of a major war between NATO and the Soviet Union, this sea-denial force would no doubt be an important factor in the very early stages, capable of "neutralizing the U.S. Navy's capability to launch strategic strikes from the eastern Mediterranean and of preventing reinforcements from reaching the Turkish Straits at the outbreak of war."[1] But short of such an eventuality, which is highly unlikely, the Soviet navy's capability in the Mediterranean is a planner's problem, not a policymaker's concern. The oft-expressed fear that the Soviet navy is somehow on the verge of interdicting the maritime routes in the Mediterranean, the Red Sea or the Gulf in order to cut the West's oil supply needs to be put in perspective: there is nothing to suggest that the Soviets are about to start a war in such a way — for that is what would happen — and the reasons that would motivate Soviet interdiction are never specified. Scenarios, like actors, should not be taken too seriously.

Moreover, while the Soviet navy could inflict great damage in the event of all-out war, it lacks effective sea-launched and land-based air power in the area and is no match for Western forces which still very much dominate the Mediterranean, as NATO officials are quick to acknowledge. So long as only the Western powers control the key "choke points" in the Mediterranean and possess strong land-based air power, Soviet naval forces have little prospect of survivability in any kind of military showdown. To harp on the sea-denial aspect of the USSR's military *capability* and project what it *might* do in situations short of war is to obfuscate the actual political-strategic issues that must be faced and to distort the nature of the more probable and persistent Soviet challenge in the eastern Mediterranean.

Since becoming highly visible in the late 1960s and 1970s, the Soviet Mediterranean fleet, or the Fifth Escadra, as it is known, has facilitated the promotion of Soviet diplomatic objectives, though one would be hard put to define the exact degree of its importance in relation to other Soviet activities. It has, through lengthy visits, strengthened the resolve of weak clients, occasionally shielding them from attack (for example, Egypt in the period immediately after the

[1] Michael MccGwire, ed., *Soviet Naval Developments: Capability and Context* (New York: Praeger, 1973), p. 353.

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June War); complicated U.S. policy and heightened anxieties among some NATO members, whose fear is more of an inadvertent U.S.-Soviet clash than of additional Soviet threat to their vital national interests; and enhanced Soviet prestige among Arab clients. Given the general difficulty of evaluating the effect of naval deployments on diplomatic developments, the best one can do is conjecture that the Escadra has been useful — and let it go at that. What there is no convincing evidence of is that Moscow's naval capability or forward deployment in the Mediterranean has prompted anti-Western coups or affected the outcome of political infighting among rival contestants for power in Middle Eastern countries.[2] Not only is the Soviet fleet's military capability more limited than is usually realized, if only because of the lack of reliable land-based power in the region, its future political utility may, similarly, be much exaggerated: it can complicate but cannot deter U.S. initiatives.[3]

There is no intention here to belittle Soviet interest or activity in the eastern Mediterranean, the Soviet military build-up, or the overall improvement in the USSR's position in the region. Moscow's strategic appetite has certainly grown with its military capability. But the prospects for satisfying its ambitions lie more in the sudden emergence of political opportunities than in the projection of ever larger military forces. Moscow appreciates that over-

[2] One account, piecing together information from U.S. intelligence sources, suggests that Qadaffi's coup on September 1, 1969, may have been timed to coincide with a joint Soviet-Egyptian-Syrian naval exercise that took place in late August–early September: "The Libyan officers were in touch with the Egyptians before the coup, and the Egyptians were involved in the planning of the naval exercise." (Jesse W. Lewis, Jr., *The Strategic Balance in the Mediterranean* [Washington: American Enterprise Institute, 1976], pp. 75-78.) The conjecture is imaginative, but has not been critically evaluated. Most of the sources cited are from the time of the Libyan coup, when reliable information was presumably least available and journalists based stories on spur-of-the-moment data provided by friendly embassies. Some years later Mohamed Heikal, a confidante of Nasser who had been sent to Bengasi to meet with the Libyan putschists at their request immediately after the takeover, wrote that the entire affair came as a complete surprise to Cairo, thus implicitly denying any Egyptian complicity at any stage of the preparations for the coup. (See *The Road to Ramadan* [London: Collins, 1975], pp. 68-72.) His story should at least be introduced into the analysis before coming to any conclusions.

[3] For a thoughtful and far-ranging evaluation of U.S. and Soviet naval strategy in the Mediterranean, see Ken Booth, "U.S. Naval Strategy: Problems of Survivability, Usability, and Credibility," *Naval War College Review*, Summer 1978, pp. 11-28. He writes: "The diplomatic influence of naval forces is often asserted, but it is often difficult if not impossible to trace in practice. That does not necessarily mean that it does not exist: tracing influence is a difficult and sometimes impossible task, whether we are talking about armies, navies, air forces or foreign aid. At best the superpowers' naval diplomacy moves seem to cancel each other out. But it also sometimes seems to be so subtle that the littoral powers do not notice it. If they do notice it, it is usually to complain. On the whole, we live in an era where there is likely to be more pain than prizes from the exercise of naval power. I would guess, therefore, that although high-level naval diplomacy has been quite a salient feature of international affairs in recent years, it is about to become less valuable."

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militarizing the environment in the eastern Mediterranean can be detrimental to its political aims.

For the foreseeable future, Soviet objectives are the following: to weaken the effectiveness of and undermine the viability of the Mediterranean component of NATO; to induce Greece and Turkey to opt for a foreign policy that tilts toward de facto nonalignment; to demonstrate its credibility as a superpower patron and protector to present and prospective regional clients; to ensure that Soviet preferences and interests enter into the considerations of regional actors; and, finally, to strengthen Soviet antisubmarine-warfare effectiveness in an area that is strategically vital to the USSR's security. This latter military consideration alone is important enough to account for Soviet interest in the eastern Mediterranean. It should also be stressed that as a result of the "greatly increased range of seaborne nuclear delivery systems," the eastern Mediterranean is "now of greater defensive concern to the Soviet Union than its arctic seas. Moscow lies midway between the two, but whereas the population and industry thin out to the north, to the south and east of the capital lies a large part of Russia's industrial strength."[1] Thus, for purely military reasons, Moscow strives unceasingly to obtain reliable naval and air bases along the Mediterranean littoral, though, as we shall see, their acquisition may well jeopardize the attainment of some of the above-mentioned political objectives.

There is good reason to believe that Soviet leaders are strongly influenced by historical experience and have a strategic outlook that regards Europe, from northern Norway to Turkey, as one vast theater of threat, with Eastern Europe serving as an essential buffer. If so, then they must consider the de facto neutralization of NATO's eastern Mediterranean flank a net and not insignificant gain. This analysis assumes that Moscow is not apt to strike militarily for small gains in some one sector of the NATO structure, since that could escalate to all-out war. Should there be an all-out war, Moscow would want to determine the time and place and method of initiating it, and not be drawn into war through inadvertence or through a high-risk move for a piece of real estate marginal to its security in Europe.

The Soviet threat in the eastern Mediterranean–Middle East region must be differentiated from that in central and northern Europe. Politically speaking, it must not be treated as an extension of Soviet power elsewhere in Europe. To do so is to magnify the

[1] Michael MccGwire, "The Mediterranean and Soviet Naval Interests," *International Journal*, Autumn 1972, p. 526.

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military dimension of the Soviet presence in the eastern Mediterranean out of all proportion to the actual geostrategic situation that exists, with consequences that may aggravate rather than arrest the erosion of NATO as a viable alliance system and prevent the realization of the very conditions NATO seeks to preserve — namely, alliance cohesion, regional stability and the attractiveness of the Western security community. We may well be at a watershed where NATO's objectives in the eastern Mediterranean would be better served by greater attention to political rather than military means. The Soviets have shown that they understand the psychopolitical dimensions of military power used to fashion an environment conducive to the promotion of national security and broader security objectives. NATO can do no less.

Moscow's military power in central and northern Europe is a matter of legitimate concern in Brussels and requires continuous monitoring. But even in the front-line West European states there is no real fear of an imminent Soviet attack. No NATO member believes the Soviet Union seeks a military showdown. All the more then the need to sort out the political from the military aspects of the problem posed by the growth of Soviet power.

Quite simply, the eastern Mediterranean is not a primary area of Soviet military threat, because, in NATO's own words, "the Soviet Union still lacks key criteria essential for sustained operations at sea. The Soviet Navy does not compare with the NATO forces (particularly the Sixth Fleet) in the provision of air cover, conventional fire power, ASW and reconnaissance capabilities or staying power."[5] For all of its enormous investment in the militarization of the Arab states of the Mediterranean, Moscow has surprisingly few tangible military advantages to show: access to Syrian ports (which are no adequate substitute for the loss of privileges in Egypt in 1976) — that's all. The courtship of Algeria and Libya has yet to bring military or strategic dividends. Relations with Egypt remain poor. In light of this situation, the Mediterranean members of NATO tend to take a far more relaxed view of the Soviet military presence than their partners in Western and northern Europe. Furthermore, the Soviet fleet has been no more responsible for the instability along NATO's southern flank than the U.S. Sixth Fleet has been able to prevent it. Naval power may just be irrelevant to the kinds of problems that ail NATO's southern flank.

[5] Military Committee, International Secretariat, North Atlantic Assembly, *Report on the Activities of the Sub-Committee on the Southern Flank*, September 1975, p. 13.

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III

The Mediterranean remains, militarily speaking, a "NATO lake," but the littoral areas are increasingly exposed to Soviet penetration and blandishments, in important measure because of the systemic erosion of NATO's southeastern flank. Greece and Turkey constitute far less of a hindrance to the projection of Soviet power into the Middle Eastern–African hinterland than at any time in the post-1945 period. Their discord facilitates Moscow's exploitation of regional tensions. At the same time, Moscow's measured diplomatic behavior and growing military power foster more accommodating perceptions of, and policies toward, the Soviet Union. There are other important factors strengthening Soviet diplomacy in the area. It is essential that we examine their interrelationship in order to appreciate the reasons for the improvement in the Soviet position.

First, there is a sharply diminished perception of the Soviet threat in the eastern Mediterranean among NATO's southern members — Greece, Turkey, Italy and France. The expanded Soviet naval presence is generally seen as a natural concomitant of the USSR's emergence as a superpower, and, as such, Moscow's objectives are considered essentially political. For the moment, none of these countries sees any immediate Soviet threat to its vital national interests. The French, for example, are unhappy about the influx of Soviet weapons into Algeria and Libya, but not seriously worried. They keep close watch over Soviet efforts to exploit Algerian-Moroccan tensions and to penetrate the North African littoral. But opportunism, not communism, is regarded as the catalyst for Moscow. Drawn by instability in its quest for clients, Moscow adapts to circumstances it did not create and seeks maximum gain at minimum cost. Thus far, Soviet inroads have been marginal, so Paris sees no cause for concern. It accepts Soviet diplomatic and political efforts to exploit Western difficulties, but does not expect Moscow to intrude a major military presence. However, should the Soviets install intermediate-range missiles in Algeria or Libya, acquire long-term privileges at Algeria's naval base at Mers el-Kebir, or intervene in the Algerian-Moroccan-Mauritanian conflict, the French could quickly shed their sang-froid. The potential for Soviet mischief is there, but, for the French, it is not a "clear and present danger."

The Italians, too, have a sanguine view of Soviet activities. They maintain that the U.S. Sixth Fleet and NATO's control of key choke points in the Mediterranean reduces the Soviet naval presence to a readily controllable military problem, and that Moscow

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knows this and shows the flag for political reasons, to help clients, make friends and encourage Turkish and Greek "nonalignment." Like others in the Mediterranean region, the Italians believe that the Soviet Union has received surprisingly little advantage after almost a generation of endeavor and expenditure: the quest for military facilities in Egypt ended in fiasco; Albania remains hostile, though it could change if the leadership feels sufficiently isolated by the loss of its Chinese patron; the Libyan connection has earned hard currency but no air or naval bases; Algeria plays a subtle diplomatic game and keeps the Soviets on tenterhooks. Only Syria is forthcoming, but hardly in a way likely to institutionalize a Soviet military presence.

Greece and Turkey, the keys to the eastern Mediterranean, have reasons of their own for downgrading the Soviet threat. Their historical animosity exploded in July 1974 over Cyprus and has simmered ever since. Preoccupied with each other, at odds with Washington, disappointed in Western Europe's level of assistance, though hardpressed for alternatives, each casts about for supporters. At present neither fears a Soviet attack. Instead, both are engaged in serious efforts to respond to Moscow's overtures for improved relations: witness the visits by high-ranking Turkish and Greek officials to the Soviet Union in 1978. Moreover, in Athens and Ankara the argument is made, if the United States can seek detente with the USSR, so can we. For almost two decades, Greece and Turkey have experienced steadily improving relations with their Communist neighbors. The borders have been quiet. Against this largely felicitous background, the U.S. quest for detente with the USSR inevitably encourages similar moves by individual NATO members, who give pride of place to national interest, not alliance cohesion.

Greek and Turkish perceptions of diminished Soviet threat are based on experience, stemming from Moscow's low-key military approach to their countries. Greece was the earlier beneficiary of Moscow's changed diplomacy. There are no Soviet troops in Bulgaria, and, since the late 1960s, the Greek-Bulgarian border has been devoid of the tensions that predominated in the 1940s and 1950s. The improvement in Greek-Bulgarian and, therefore, in Greek-Soviet relations acquired a certain momentum after the Greek colonels seized power in April 1967. Under the junta, good, if not cordial, relations with Moscow were pressed. Athens' generally pro-Arab position on the Arab-Israeli conflict predisposed it to view the suddenly expanded Soviet naval deployments more as a function of the Soviet-American rivalry in the Middle East than as a threat to Greece.

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(A similar attitude, to a lesser degree, marked Ankara's position.) With important economic activities in Saudi Arabia, Libya, the Gulf states and Syria, Greece has never exchanged ambassadors with Israel, preferring to keep its distance and avoid estranging any Arab group. Actually, it pays little attention to the Arab-Israeli conflict. During the October War, the Greek military regime permitted Soviet overflights (as it allowed the United States to fly missions from Crete for midflight refueling of transports destined for Israel). When democratic government was restored atfer the overthrow of the colonels in July 1974, the new leadership took a page from De Gaulle's book and withdrew from NATO's integrated military command; it also terminated U.S. homeporting privileges for the Sixth Fleet. Both of these developments were applauded in Soviet circles, which suggested that Greece's poor economic condition stemmed from excessive military expenditures.[6]

Greek Foreign Minister George Rallis visited Moscow in September 1978 — the first high-level visit since 1974 and the first by a Greek foreign minister — but there has been no major change in Greek-Soviet relations, in part because of Moscow's unwillingness to side with Greece against Turkey on the litmus issues of Cyprus and seabed-airspace jurisdiction in the Aegean Sea. Though Premier Constantine Caramanlis is expected to move slowly because of the conservative, anticommunist beliefs of many of his supporters whose views of the Soviet threat were shaped in the 1940s and 1950s, he is likely to encourage some increase in political and economic contacts. Certainly Moscow is willing.[7] So long as the Bulgarian border is quiet and no Soviet troops are stationed there, so long as the normalization with Albania proceeds and Tirana does not invite the Soviets to return to the naval base at Valona that they enjoyed until May 1961, and so long as Soviet policy toward Yugoslavia does not endanger peace and security in the Balkans, Greek officials take a relaxed attitude toward Soviet naval activities in the Mediterranean. They view the deployments as part of Moscow's Arab policy and of the overall U.S.-Soviet strategic rivalry, not as direct threats to Greece's security.

Even more than Greece, Turkey has developed good relations with the Soviet Union since the mid-1960s. However, the Turks remain wary; 500 years of suspicion, hostility, war, a common fron-

[6] S. Vladimirov and L. Teplov, *NATO: A Bleak Picture* (Moscow: Progress, 1977), pp. 145-146.

[7] For example, see K. Antonov and V. Klimov, "Soviet-Greek Relations on the Up-Grade," *International Affairs* (Moscow), December 1978, pp. 81-84.

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tier and Moscow's undiminished ambition to control the Turkish Straits are all "givens" in Turkish thinking. But it is true that the bear has been almost benign. The frontier has been quiet, though Moscow occasionally protests the presence of U.S.-manned intelligence-gathering stations on Turkish territory. There have been no threatening military build-ups or maneuvers, no rocket-rattling and no serious incidents. Since 1965, economic relations have greatly expanded and government-to-government ties improved. All Turkish parties have supported the cautious receptivity to Soviet overtures. In December 1966, during Premier Kosygin's visit, both governments expressed the desire to see the Middle East become a zone of security and peace, all-European cooperation promoted, nonproliferation and test-ban treaties ratified, and trade among the Black Sea nations increased. Extensive Soviet economic commitments resulted in the construction of important industrial projects, including an iron-and-steel complex, an oil refinery and an aluminum plant. In 1975 Kosygin's suggestion of a nonaggression treaty was politely rejected. But during Turkish Premier Bulent Ecevit's visit to Moscow in June 1978, a Political Document on the Principles of Good-Neighborly and Friendly Cooperation was signed, similar to a 1972 communique issued from Ankara during a visit by Soviet President Nikolai Podgorny. Ecevit insists that document in no way alters Turkey's commitments to NATO,[8] and the reopening in late 1978 of four U.S. intelligence-monitoring installations in Turkey, in the wake of Washington's lifting of the arms embargo after four years, supports his contention.[9]

Turkey's lower perception of threat is a function not only of Soviet moderation but also of American variability. The Turks have never forgotten President Lyndon Johnson's note during the 1964 Cyprus crisis, warning Turkey that if it did not desist, it could not expect U.S. support in the event of a Soviet attack; they admired De Gaulle's national assertiveness, and were disturbed by the Gaullist thesis that the United States cannot be expected to risk a nuclear exchange with the Soviet Union in the event of a limited attack by Soviet troops against a NATO member; they have watched the United States seek detente with the USSR since 1972 with mixed emotions of approval and concern; and they believe that the U.S. Congress's readiness to weaken a NATO ally militarily and disrupt the alliance because of partisan domestic considerations raises all kinds of questions about possible U.S. unreliability in future crises.

[8] *Washington Post*, June 24, 1978.
[9] *Christian Science Monitor*, October 6, 1978.

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In a major speech in London shortly before his trip to Moscow, Ecevit questioned the excessive relationship between U.S. internal and external politics:

> Her external politics are very much (too much for a world power) influenced by the ethnic lobbies so that when an allied country has problems with the mother country of one of these lobbies, she finds herself in a hopeless situation vis-a-vis her relations with the United States, and sometimes even the United States Administration itself cannot help such a situation. I am not mentioning this peculiarity of American politics as a criticism, I am just stating a reality of our present day world which we have to learn to live with.[10]

Ecevit also aired Turkish complaints against the European Economic Community, the reluctance of most Western countries (West Germany being a notable exception) to provide economic assistance during this period of extreme economic difficulty, and the unsympathetic attitude toward Turkey's position on Cyprus and the Aegean controversy with Greece.[11] His sense of grievance and dark foreboding is shared across the Turkish political spectrum, notwithstanding the belated effort by the United States, Germany, France and Britain to help economically. All of this contributes to a belief that Turkey's security and stability are currently jeopardized more by allies than adversaries. As one Turkish official expressed the situation, "The United States, through an arms embargo that was imposed on an ally for reasons that had little to do directly with the needs of the alliance, has done more to unhinge NATO's eastern flank than anything that the Soviet Union has done; and it has done so at a time when Washington has been trying to heighten concern and generate increased defense expenditures to counter the Soviet military buildup in central Europe."

A second major factor that helps explain Moscow's improved position and NATO's troubled condition in the eastern Mediterranean is the feeling of neglect that permeates both countries. Elites are convinced that NATO headquarters, in its preoccupation with the ominous Soviet military build-up in central and northern Europe, regards the eastern Mediterranean as an ancillary theater of operations. The sense of being the stepchild of NATO's defense strategy runs deep. True, General Alexander M. Haig, Jr., supreme allied commander of NATO forces in Europe (until he stepped down on June 30, 1979), did say on occasion that the "area of greatest con-

[10] Bulent Ecevit, "Turkey's Security Policies," *Survival*, September-October 1978, p. 204.

[11] *Ibid.*, pp. 205-206; *Financial Times*, January 10, 1979; *New York Times*, January 6, 1979.

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cern remains the eastern Mediterranean."[12] However, his expression of concern was not prompted by any particularly threatening Soviet activity but by Greek-Turkish animosity and the deleterious consequences of the American arms embargo on Turkey's political mood and combat readiness. When the embargo was lifted in late summer of 1978, Brussels slipped quickly back to its previous preoccupation with other issues. Perhaps more in tune with the Turks' own feeling is the probably apocryphal story of an official at SHAPE who, when asked what could be done to strengthen the southern flank, airily replied, "I wish we could lop it off."

The conviction in Athens and Ankara that Brussels-NATO does not really think the Soviet military threat in the eastern Mediterranean is very serious can be understood in light of the decisions taken on the allocation of AWACS (airborne warning and control system) aircraft. Although the exact figures remain classified, NATO is originally supposed to have sought to purchase between twenty-four and thirty-two AWACS in order to cover its entire defensive arc from Norway to Turkey to safeguard against surprise attack.[13] However, owing to budgetary constraints, the number to be purchased was steadily pared down. On March 25, 1977, the NATO Defense Planning Committee reaffirmed its support for the acquisition of AWACS, but financing remained a problem and action was deferred. Not until a "memorandum of understanding" approving the purchase of eighteen AWACS was signed by the NATO defense ministers at their semiannual meeting in early December 1978 was the long-delayed project apparently given a definitive go-ahead signal.[14] Since at any time only one aircraft out of three is to be airborne, the reduced number to be ordered means that some sectors of NATO's defensive perimeter will have to be shortchanged: the eastern Mediterranean sector is reputed to be lowest on the priority list.

Greek and Turkish officials know the American absorption with the central front. A paper prepared for the U.S. Congress by the Congressional Budget Office assumes that a Soviet attack on NATO would be launched against the Federal Republic of Germany,

[12] *Washington Post*, March 2, 1978.

[13] AWACS have great flexibility, combining routine aircraft detection and tracking with command, control and communication capabilities. They are able to detect and track low-flying planes at ranges of up to 200 nautical miles. In addition, they can simultaneously detect and track high-altitude targets at ranges of up to 360 nautical miles, thus greatly reducing the need for highly vulnerable ground-radar stations. By looking several hundred miles into Soviet-bloc territory, they can provide an additional fifteen minutes warning of enemy air attack and can detect enemy troop and tank concentrations.

[14] *Washington Post*, December 7, 1978.

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through the North German Plain, the Fulda Gap, and the Hof corridor; nowhere in the report is there any mention of the southern flank.[15]

Other developments have reinforced this Greek-Turkish perception of NATO's "benign neglect." Two may be cited briefly. A new, as yet unofficial, U.S. defense strategy, proposed in early 1978 by the Office of Program Analysis and Evaluation of the Department of Defense "suggests that the outbreak of a war on either of the NATO flanks is either unlikely or impossible to successfully defend against . . . and severely downgrades the possibility of *any* NATO war lasting longer than six months."[16] Implicit is a far-reaching reassessment of the utility of, and need for, naval power in the Mediterranean. Several weeks after information about this re-evaluation was made public, Secretary of Defense Harold Brown, testifying before a congressional committee, stunned his audience with the statement, "*If* control of the Mediterranean were judged an appropriate planning objective. . ."[17] Ever since the end of World War II, control of the Mediterranean has been regarded as a prime objective of American foreign policy. To raise questions concerning the validity of that strategy in such an offhanded fashion did little to reassure the Greeks or Turks either about the intensity of the U.S. commitment or the coherence and perspicacity of Washington's Mediterranean–Middle East strategy. The controversy has only just begun within the Carter administration over what should be the U.S. strategy for protecting NATO's Mediterranean flank; its outcome may well hinge on decisions that have to be made concerning the composition of the armed forces in the 1980s and 1990s and budgetary considerations. None of this can be comforting to the Greeks and Turks, especially in light of the failure of Brown's memorandum to President Carter in May 1978 to mention any measures for reinforcing the southern flank; indeed, as if in anticipation of criticism, it even noted that should the Mediterranean countries "lose confidence in NATO's ability to cover the flanks as well as the Central Front, they may well find it more tempting to reach individual accommodations of one kind or another with the Soviet Union — to become 'Finlandized.' "[18] If NATO members on the flanks should come to believe

[15] *Assessing The NATO-Warsaw Pact Military Balance* (Washington: GPO, December 1977). For example, an exercise report of NATO's fall maneuvers makes clear, by omission, the relative unimportance of the eastern Mediterranean in NATO's overall military planning. "Autumn Forge," *NATO's Fifteen Nations*, October-November 1978.

[16] "A Strategy for Disaster," *Sea Power*, February 1978.

[17] *New York Times*, April 9, 1978. (Emphasis added.)

[18] As reported in *Armed Forces Journal*, May 1978, p. 20.

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that they are expendable or without reliable allies, Brown's afterthought could foreshadow a new reality.

A third factor contributing to the favorable environment for Soviet diplomacy is the pernicious pervasiveness of domestic politics. The internal struggle for power overshadows the threat of Soviet expansionism. In Greece and Turkey, foreign policy is truly an extension and reflection of domestic bickering and alignments. It centers on the Greek-Turkish conflict and the many complex, interrelated, political, economic, cultural and military strands. Larger strategic considerations seem absent; certainly, they are rarely raised by political figures in or out of office. No one speaks for alliance cohesion, which has little meaning in the Greek and Turkish contexts, and each party has legitimate grounds for dissatisfaction with NATO members, especially with the United States. NATO is more a cudgel wielded by domestic opponents to embarrass and weaken the group in power than a shield against the Soviet Union, which, in any event, appears less a threat than one's neighboring ally. It is a convenient source of weapons, and withdrawal is apparently not an option considered seriously by the respective leaderships.

In Greece, where partisan wrangling has deep roots and heavily ideological overtones, the opposition Pasok Party of Andreas Papandreou openly exploits foreign policy for domestic purposes. Generally pro-Soviet, it favors internationalization of the Cyprus issue, so as to involve the Soviet Union, and bitterly opposes Greek membership in the European Economic Community and any association with NATO.[19] Papandreou's militancy feeds his anti-Americanism and propensity toward nonalignment, which he sees as the proper affiliation for Greece. Economic unrest, the outbreak of war, or social instability flowing from the unanticipated and probably unavoidable consequences of modernization, the breakup of traditional family patterns and the exposure to competition with more developed members of the EEC, could bring a change in policy (in Greece or Turkey, or both) toward NATO.[20] These domestic forces, more than any external developments affecting the alliance, will primarily determine the policies of Greece and Turkey. More than other NATO members, they have consistently met SHAPE's recommended force levels, with the result that their defense burdens, further exacerbated by fear of one another, have fallen heavily on

[19] Richard Clogg, "Greece: The End of Consensus Politics?," *The World Today*, May 1978, pp. 187-188.

[20] See William H. McNeill, *The Metamorphosis of Greece Since World War II* (Chicago: University of Chicago Press, 1978), esp. pp. 108-137 and pp. 247-251 for policy-relevant insights into the Greek political tradition and the forces for change.

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vulnerable economies. Unemployment, inflation, energy shortages and urban blight are compounding domestic problems. These tensions make for internal instability and distraction from the Soviet challenge.

Finally, Moscow has helped its own policy by skillful diplomacy. With a combination of olive branch and checkbook it has projected a disarming reasonableness and has gingerly sidestepped partisanship on the all-important Cyprus issue. Maintaining a low-key, nonthreatening policy, Moscow was able to carry out its military deployments and overflights of Greek and Turkish airspace during the October War and the 1977-1978 Somali-Ethiopian war without difficulty. Greece and Turkey looked the other way in both instances; Washington's involvement in the Middle East war and Western Europe's concern over developments in the Red Sea–Horn of Africa area were regarded as lying outside NATO's sphere of competence, as no direct threat to them and, hence, not issues that should be made a matter of difficulty with the Soviet Union. In July 1976, at the height of Turkey's anger at the U.S. arms embargo, the Turks flexibly interpreted the 1936 Montreux Convention, which forbids passage of aircraft carriers through the Turkish Straits, and permitted the USSR's Kiev-class carrier to transit for the first time, because it was designated an "antisubmarine cruiser."

The success of Soviet policy in helping along the "de-alignment" of NATO's southern flank has been instrumental in facilitating the projection of Soviet power in the Arab East and the Horn of Africa; encouraged by the laissez-faire attitude in Athens and Ankara toward the Soviet Union's projection of military power, Moscow shows no concern that future obstacles might necessitate costly and inconvenient supply routes to Third World areas in which it is interested. De-alignment of the entire rimland region from Greece to Afghanistan is a prime objective of Soviet foreign policy.

While the general strategic environment in the eastern Mediterranean is quite promising for Moscow, the Soviet position is not as sound militarily as it once was. Since its expulsion from Egypt, the Soviet military has lacked air bases, and its use of Syrian ports is less than adequate for major naval operations. Access to Yugoslav ports is subject to regulations that apply to all foreign navies. There are possibilities along the North African littoral, notably with Libya, but nothing concrete has materialized, though massive amounts of arms were sold to Qadaffi. In business, payoffs are monetary, not strategic. Nowhere in the Mediterranean are the Soviets firmly entrenched. They could effect a breakthrough if, for example, a

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Yugoslav succession crisis brought to power a pro-Soviet leadership willing to offer military bases on the Atlantic; or if an Arab leader saw fit to grant the kinds of privileges that the Soviet Union enjoyed in Egypt between 1967 and 1976. Neither of these possibilities is very probable. Still, they are grist for the contingency planner's mill. If either did come to pass, the countervailing response from NATO, especially from Greece and Turkey, would most likely be to spur a partial reconciliation and the intensified rearmament that Moscow seeks to prevent, because the acquisition of such forward-base systems in the Mediterranean would pose a palpable threat of regional encirclement that could not readily be dismissed as chess moves in the superpowers' global rivalry.

IV

We are back at the theses developed early in this essay: namely, that political reasons account for the improved Soviet position in the eastern Mediterranean, that political considerations more than military ones underlie Soviet moves and strategy in the Mediterranean, and that NATO's southern flank has been weakened primarily as a result of strains within NATO itself.

Given the geopolitical cast of Soviet aims, Moscow's prospects may be more a function of NATO's disarray than of Soviet military power, more a consequence of opportunities seized than machinations planned.

> Uneasiness is sweeping NATO countries, thereby making it less easy for their Governments to speak coherently in the Alliance debate. Turkey continues to wallow in a long-enduring, still unfinished revolution. Italy sees the foundations of its party structures shifting. Portugal totters on the brink of grave events. Belgium is so beset by Flemish-Walloon cleavages that its very future as a state is endangered. England begins to be distorted by nuclear politics. Canada has yet to heal gaping internal wounds. Germany edges from autocratic leadership to uncertainty and some day the same problem will face France.[21]

That C. L. Sulzberger's words, written in 1963, have such remarkable pertinence attests to the Western security community's persisting sociopolitical ailments.

If the foregoing line of analysis is essentially correct, a number of policy-relevant implications may be adduced:

First, if alliance cohesion is to be strengthened, the North Atlantic Council, which is composed of representatives from the

[21] *New York Times*, May 25, 1963.

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fifteen member nations, must do more in the political as well as in the military sphere. It must play a more active role in trying to settle or alleviate member-state tensions. The United States, in particular, as the most powerful member of the alliance, should make a bolder diplomatic effort. The long-term consequences for the NATO security community of a disaffected and insecure eastern flank are as baneful to contemplate as another Arab-Israeli war or energy crisis. An alliance cannot be any stronger than its constituent members.

Second, although the Soviet military build-up is continuing, and ominously, it may not pose as immediate and direct a threat to the future of the alliance as the profound economic, social and political problems currently facing the members of the southern flank, to which must be added Italy and Portugal. It is proper for the Defense Planning Committee and the Military Committee to focus on matters of a military nature, but the other organs of the alliance must not also be so fixated on the Central Front that the Elbe becomes for them what the ghost of the bloody Banquo was for Macbeth — a terrifying threat.

Third, stable, strongly committed, militarily effective allies on the eastern flank may act to constrain the political effectiveness of Soviet naval deployments at least as much as the presence of the U.S. Sixth Fleet. The contributions by Greece and Turkey of ready combat forces are "obvious and visible contributions" to the collective defense of the alliance; but these countries have other, potentially more significant advantages: "their geographic/strategic locations blocking the line of advance of Soviet influence to the Mediterranean and the Middle East, the tying down of Soviet reserves in southern Russia, and the facilities whereby the United States is able to project its power into the area, and further counter or exclude Soviet influence."[22] Soviet naval deployments in the eastern Mediterranean are constrained in times of crisis by the potential limits to their free access through the Straits *and* the Aegean Sea: either is a formidable obstacle; together they effectively seal off the Black Sea. The ongoing debate within the armed services over the role of the Sixth Fleet, the composition and use of the Navy, and the essence of deterrence should not warp the American, or NATO, perspective on the nature of the Soviet threat in the eastern Mediterranean. As Iran demonstrated, internal upheavals and instability, once in motion, cannot be arrested by mere shifts or increments of military

[22] *Report on the Activities of the Sub-Committee on the Southern Flank,* p. 10.

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forces that are not intended for intrusion into an internal struggle on behalf of a friendly government seeking to retain power.

Sir John Slessor, the British military strategist, said it well more than twenty years ago: "If Western strategy is to be effective in the long haul that lies before us, it is essential to understand that, since we need have no fear of the Kremlin launching thermonuclear war in circumstances short of a direct threat to the security and integrity of Soviet Russia, then short of that limit — to which the West will never go — we have in fact gained increased freedom of action, can afford to take the initiative, and have plenty of moves that we can make."[23] The key to NATO's effectiveness lies in ensuring that all the components of the alliance function well and in reasonable harmony. How to attain this goal is a subject on which informed and committed men differ greatly with regard to priorities and means, ranging from detailed proposals for strengthening NATO's deterrent and war-fighting capabilities[24] to calls for a reexamination of the very adequacy of NATO's institutional provisions and underlying strategic posture.[25] At a minimum, there is an urgent need for collective attention to common problems and festering local conflicts. Asymmetries exist. The problems faced by the members of the southern flank are quite distinctive, but their solution is as integral to the future of the alliance as any matching build-up on the Central Front. Any moves that strengthen NATO politically will serve also to counter Soviet pressures and probes militarily. The key to a secure Mediterranean lies in a stable southern flank.

[23] Sir John Slessor, *The Great Deterrent* (London: Cassell, 1957), p. 220. It is, of course, true that if Slessor were writing today he might have a different view of the Soviet military threat, given Moscow's achievement of nuclear parity with the United States and its steadily expanding military expenditures.

[24] Justin Galen, "Restoring the NATO-Warsaw Pact Balance: 'The Art of the Impossible,' " *Armed Forces Journal*, September 1978, pp. 32-46, 54.

[25] Robert Strausz-Hupé, "NATO in Midstream," *NATO Review*, October 1977, pp. 3-8.

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CONTROLLING U.S. ARMS TRANSFERS: THE EMERGING SYSTEM*

by Paul Y. Hammond, David J. Louscher and Michael D. Salomon

Worldwide, governments seek modern arms. With minor exceptions, all states in the international system maintain modern armed forces. Those forces vary in size, strength and the degree to which they use, and therefore demand, advanced weaponry, but all of them (again, with only insignificant exceptions) use modern equipment (i.e., equipment produced since World War II). The national military postures of those states reflect, within a broad variation, a common commitment to military deterrence as a source of national security. Only a few of the larger developed states are at present capable of producing most of the modern arms demanded as a result of those national policies. The result is worldwide traffic in modern weaponry.

In this article, we shall assess the dynamics of the decision process by which the U.S. government chooses to sell or not sell arms to other nations. The focus is on the control mechanisms that have emerged within the various agencies processing arms-sales decisions. It is our view that attention to these mechanisms is critically needed for scholars who are observing the rise of conventional arms transfers. Concentration on the decision-and-control process is important for several reasons: *First,* U.S. arms sales have increasingly become a major foreign policy instrument. Figure 1 compares arms sales with other foreign aid instruments and shows the dramatic change in roles.[1] *Second,* most of the limited, but growing, litera-

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[1] David J. Louscher, "The Rise of Military Sales as a U.S. Foreign Assistance Instrument," ORBIS, Winter 1977, pp. 933-964.

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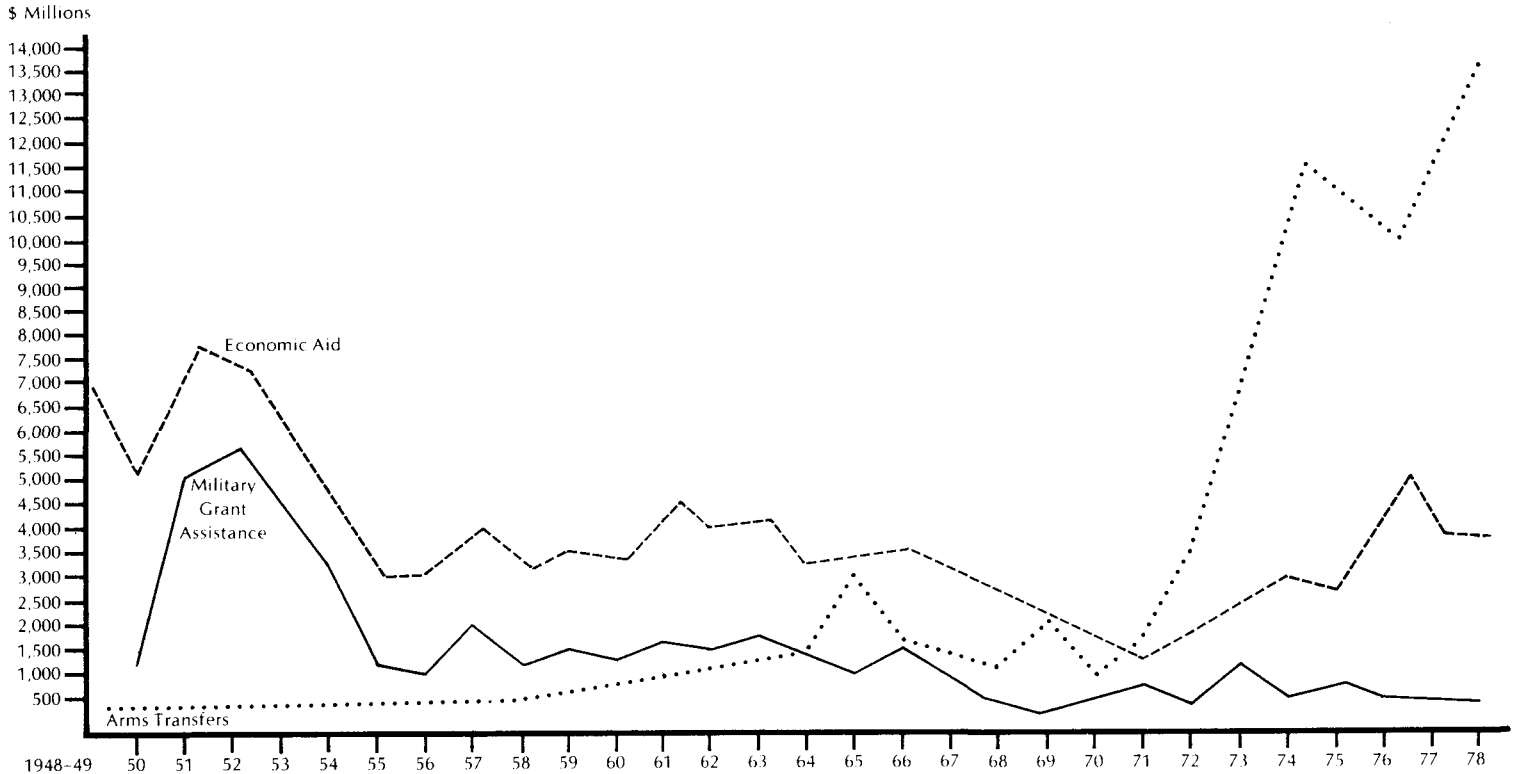
FIGURE 1
ECONOMIC AID, MILITARY GRANT ASSISTANCE AND ARMS TRANSFERS



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ture on this subject uses summary statistics or assumes the "state as actor" approach[2]; thus, the focus is on dollar amounts or on broad economic determinants. *Third,* considerable popular and political discussion in the past has assumed that there are no controls on U.S. exports, when in fact there are some fairly strong ones. President Carter's early campaign speeches assumed there were few restraints on U.S. sales; during his administration, restraining controls have been much strengthened. Yet, recent discussions still assume that controls are negligible. While the development of better controls over conventional-arms transfers is desirable, we feel that the pursuit of this objective should be informed by knowledge of the control procedures now functioning.

This article relies heavily upon interviews conducted by the authors from February through August, 1978. We conducted more than ninety interviews with key decisionmaking personnel in the U.S. State Department, the Arms Control and Disarmament Agency, the Office of the Secretary of Defense and the various services, as well as with personnel of the regional commands and with field personnel in twenty-seven countries. In part, the article is a report on the results of those interviews: we describe the American system of arms-sales decisionmaking, identify the actors, the roles they perform and the stages of the decision process; we assess current trends and problems of the present control system. Our hope is to generate a realistic dialogue about how arms sales decisions should be made and about how the process might be improved. Although discussion will center on the interaction of the component American actors, the system must initially be viewed within a larger, international framework.

The international environment within which the U.S. security-assistance system functions is characterized by (1) an increased number of nations with perceived security-assistance problems that are only marginally related to the East-West confrontation, (2) the emergence of nonindustrialized economic superpowers with large amounts of capital, (3) economically motivated arms suppliers as competitors, and (4) a perceived reduction in the U.S. capability to respond to its friends' and allies' assessments of threats to them except through arms transfers. The U.S. security-assistance system, then, is placed in a high-demand environment. Recent trends in American politics, however, have created domestic pressure to re-

[2] See Anne Hessing Cahn *et al., Controlling Future Arms Trade* (New York: McGraw-Hill, 1977) and, for the state as a rational actor, Graham T. Allison, *Essence of Decision* (Boston: Little, Brown, 1971).

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strain the use of the instrument. Many members of Congress, in particular, have increasingly criticized security assistance. Some have disapproved all grant aid, while others have voiced moral concern about a policy of selling arms to underdeveloped countries. Many feel that it is folly to sell or give arms to other nations in order to increase one's influence or create military power balances. Some have opposed security assistance to specific regions or countries; many oppose the transfer of certain weapons. Considerable numbers feel that the Military-Assistance Advisory Groups (MAAGs) or the Department of Defense "pushes" arms worldwide. Moreover, there has been great concern about the activities of commercial sales representatives. In addition, Congress has voiced displeasure with the management, control and coordination of the security-assistance elements.

Whereas internationally the system operates in a high-demand environment, the system operates domestically in an environment where demand is restrained. A fundamental problem for the system is to adapt to these conflicting demands. Considerable effort has been expended by the Carter administration and the Congress to find means of providing strict control of U.S. public- and private-sector activities that might encourage a demand for arms. An attempt has also been made to induce other major arms suppliers to undertake similar efforts at limiting supply and to restrain demand-inducing activities. The main theme of the administration's approach toward managing security assistance, however, has been self-control. To understand how that approach has been applied, and to what effect, we shall now turn to a description of functions and actors.

That which the U.S. government grants or sells to foreign governments — in military hardware, supplies and support services — is the result of a complex process involving various elements in the U.S. government. Those elements perform different functions and become involved at different points in the process. From the identification of a need or want on the part of the potential buyer or grant recipient (the result of an elaborate process of determining what the United States is willing to provide), to the delivery of hardware and other commodities and services that will support absorption of the new equipment into the recipient's armed services, and, finally, to monitoring (where appropriate) the recipient's use of that equipment, elements of the Defense and State departments, in Washington and in the field, perform many tasks.

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The Security-Assistance System

Six Functions of Arms-Sales Decisionmaking

In order to provide security assistance, certain minimal functions must be accomplished by the U.S. government or by someone. Those functions are basic. They may be performed by several actors at the same time, and some may shift over time from one group of actors to another. It is important to emphasize, however, that no matter who performs the following functions, they must be accomplished if a security-assistance program is to be effective: (1) recognition of a country's needs and wants, (2) initial review of a government's request for information about a weapon system or a service, (3) policy review of a purchase request, (4) negotiation and development of an agreement, (5) execution of an agreement, and (6) "feedback" and evaluation concerning recipient use of the assistance received.

The first of the functions listed above has to do with receiving a request or with determining what would be instrumental both for a potential recipient government and for the United States as potential supplier. Wants can be equated with the expression by a foreign government that it desires certain equipment or services from the United States. Need, on the other hand, can be defined as a U.S. estimation of what another government ought to have in order to meet certain minimal (or other) defense requirements. Sometimes, if so requested, the U.S. advises allies or friends of basic deficiencies in their defense plans or posture.

The second function — initial review — had been performed informally in the past, but the Carter administration has placed it within a more formal process. All government personnel and, under certain circumstances, commercial representatives who deal with foreign states — other than with NATO members (except Iceland, Portugal, Greece and Turkey), the developed countries of Western Europe (except Spain), Japan, Australia or New Zealand — must obtain prior approval from the State Department before responding either to a request for information about a weapon system (including planning data) or to a request to negotiate a weapon-system agreement.

Next is a review of the impact of the proposed security assistance on the international system, on the potential recipient country and on American society. This function involves the greatest diversity of actors.

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Security assistance, when in the form of cash or credit sales, involves considerable bilateral negotiation. Intricate arrangements take place as each party determines his responsibilities for payment, for delivery, and for operation of equipment or services. In the case of grants, less negotiation occurs. The fourth function, then, negotiating and developing a contract, determines the nature of the assistance to be transferred or acquired.

The fifth function, of course, consists of performing the agreed responsibilities.

Finally, feedback and evaluation have to do with observing, reporting and analyzing end uses; establishing and maintaining familiarity with the recipient's plans and goals; and reporting on the impact of security-assistance transfers. It should be noted that the current ability of the system to perform these tasks is limited.

Primary Actors in Security Assistance

Many actors, playing varied roles, are involved in performing the six basic functions. Many of these actors participate at several stages of the decision process and contribute to the performance of two or more of the six functions listed. Others have very limited tasks and are involved only in one stage. Collectively, they constitute the system.

For the convenience of the reader, the primary actors will merely be identified at this point; their roles will be explained as each function is examined. It should be recognized that the system is dynamic: the actors' roles change over time and with the issues; their responsibilities shift. In some arms-transfer cases, certain actors may have broad discretion, while in other cases those same actors may be bypassed.

The principal field personnel in the recipient countries are the ambassadors and their political counselors, Military-Assistance Advisory Groups, defense attaches, various temporary teams that survey, train, manage and negotiate, and privately employed commercial or sales representatives. In addition, industries may send specialists to perform services or to provide advice similar to the counsel provided by the temporary teams of the Department of Defense. On certain construction projects, the Army Corps of Engineers may be in the field. At the regional level, the security-assistance staffs of the regional unified commands (in Stuttgart, Pearl Harbor and Panama) monitor and support the country missions.

Within the Department of State, a number of officials are

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involved in security assistance: the secretary of state has primary authority; the undersecretary for security assistance, science and technology has the task of constant supervision; and the director of politico-military affairs is more directly involved in day-to-day decisions. But the Office of Security Assistance and Sales (PM/SAS) and the Office of Munitions Control (OMC), within Politico-Military Affairs, are the actors having continual contact with the field personnel. Each may request a specific analysis from the regional bureaus, which in turn may request an opinion from the country desks.

The director of the Arms Control and Disarmament Agency (ACDA), his subordinates, and his assistant director for weapons evaluation and control (ACDA/WEC) are key officials. More immediate daily tasks are performed by the Arms Transfer and Economics Division (WEC/ATE).

A great many actors within the Department of Defense perform security-assistance roles. Only primary actors — those frequently involved in policy administration — will be identified here. The secretary of defense sometimes meets with the president and the National Security Council (NSC) to consider assistance questions. More immediate policy decisions are made by the assistant secretary for international security affairs, whose office (ISA) is divided into regional and functional desks, considering primarily the political-military implications of transfers. The Defense Security Assistance Agency (DSAA) is the focal point for information exchange within the Department of Defense, although it also engages in extensive analysis. Often the initial policy justification for "36(b) cases" (i.e., cases that require congressional review) is written in the Operations Directorate of DSAA.

The Joint Chiefs of Staff also have input. The Joint Staff, particularly J-5 (Policy and Plans), gives advice or logistic information on the military dimension of certain cases, especially when a case involves two or three of the armed services. The staff also supports the field personnel (MAAGs). The regional commands have a number of staff personnel who monitor security assistance and provide accounting and budget-data support to the MAAGs. The commanders in chief normally will become interested in a proposed transfer only if it appears to have a significant impact on their regional tasks.

The individual services, Army, Navy and Air Force, have sales-and-assistance divisions. The U.S. Army Security-Assistance Center (USASAC) has regional, country and functional offices. Similarly, the Security-Assistance Division (OP-63) of Naval Operations

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has regional and functional offices. Within the Air Force, the Office of the Chief of Staff for Systems and Logistics has a subdivision, the Military Assistance and Sales Office, which also has functional divisions.

Various personnel within Defense Research and Engineering (USDR&E) maintain close contact with industry and are able to provide advice concerning production timetables and on proposed modifications of weapon systems. USDR&E will also be interested in questions related to the transfer of highly sophisticated or sensitive equipment.

The Treasury Department, the Central Intelligence Agency, the Agency for International Development and the Office of Management and Budget are less directly involved, but their roles are not insignificant. The General Accounting Office frequently reviews the process, as do the committee staffs of the House International Relations Committee and the Senate Foreign Relations Committee. In some cases, the Congress plays a central role in arms-transfer decisions.

Several instruments and actors have arisen to coordinate sales-and-assistance decisions overall. The formal instruments include the recently created Arms Export Control Board (AECB), the Policy Review Committee (PRC) of the National Security Council, as well as the NSC itself. Finally, various manufacturers, industry salesmen and lobby groups perform significant roles.

The Six Functions: A System Description

Recognition of Wants and Needs

Recognition of a government's wants and needs requires two things. First, elements of the U.S. government must receive and forward to policymakers any request to discuss U.S. equipment and services. Second, there must be a calculation of what equipment or services a government should have in order to meet U.S. estimates of minimal defense or collective-security obligations.

The function of recognizing a nation's wants is performed in a variety of ways, through several channels and at many levels:

1. Frequently, the host military may ask a MAAG about a weapon system in the U.S. inventory, or the host military may seek information about training, credits, grants or other services the United States might provide.
2. The host government may ask the U.S. ambassador about a weapon system or service.

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3. The host government or military may request information of or ask to purchase weapons from a U.S. commercial representative who may be in the country; or its attache in Washington may ask information of a variety of actors in Washington who are involved in security assistance. Those asked may include PM/SAS, the various service sales desks, the regional bureaus of the Department of State, officials within the Defense Security Assistance Agency, or staff members and principals of the National Security Council.
4. A government may have a supply mission located in Washington which frequently will deal directly with a number of U.S. officials responsible for security systems, such as PM/SAS, DSAA, OP-63, USASAC, or the Air Force sales directorate.
5. Sometimes a government may make a direct request to the president or to the secretary of state.
6. A government attache, or the Washington supply mission of his government, may make a direct request of industry representatives with regard to weapons.

The other aspect of this function has to do with the process by which the United States informs a given government of basic deficiencies in its posture and urges it to request specific items from the United States. By a variety of means, Washington formulates its view of the other country's needs. First, a MAAG, while observing host military activities, may perceive, and so inform the host of, technical or training deficiencies in the military structure. In many countries, however, MAAGs must now obtain prior approval from Washington to do so. Second, the U.S. Embassy may determine whether or not the host government needs a particular weapon system. Such a determination would be coordinated among the ambassador, the political officer and the MAAG. After approval from Washington, the host may be informed of a perceived deficiency. Third, the MAAG, the Embassy, the regional command as well as other field personnel play an important role in the preparation of the Joint Strategic Planning Document Supporting Analysis (JSPDSA). Preparation of the document is a planning exercise intended to determine the basic military capabilities of the United States and another, friendly state. Recommendations to a government may emerge from this analysis. The Joint Procedures Assessments Memorandum (JPAM) addresses worldwide "prioritization" based upon fiscal constraints in accordance with President Carter's zero-based budgeting procedure. The JPAM has a security-assistance annex and is used to assign priorities to governments in regard to their contributions to collective security. It should be noted, however, that these planning documents are used normally as a basis on which to assess country re-

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quests. A nation is not approached and directly informed: the JPAM or the JSPDSA merely suggests that a country should purchase certain equipment.

As of September 1977, all elements of any diplomatic mission were instructed that they "should not convey to host government officials information, including planning data, which might elicit or influence a foreign request to purchase significant combat equipment unless such an approach has been fully approved by the Executive Branch."[3] Field personnel were instructed not to give any advice about whether or not a request for sale of significant combat equipment might be approved or about how to get such a request approved.

The prior-approval function varies with the type of the recipient and with the type of equipment or service. It will be useful at this point to describe those types. Nations eligible to purchase defense items and defense services are divided into two categories.[4] Category A consists of all NATO countries (except Iceland, Portugal, Greece and Turkey), the developed countries of Western Europe (except Spain), Japan, Australia and New Zealand. Category B consists of all other nations eligible for Foreign Military Sales (FMS). Commercial and FMS items are divided into "significant combat equipment"[5] and "all other defense articles and services."

Both FMS and commercial sales are subject to the initial review process. First of all, FMS review occurs with any request to purchase significant combat equipment. If the request comes from a Category-B country, it will be forwarded through diplomatic chan-

[3] "Munitions Control Newsletter, No. 47"; reprinted in U.S. House, Committee on International Relations, *Review of the President's Conventional Arms Transfer Policy*, 95th Congress, 2nd Session, March 21, 1978, p. 78.

[4] Countries frequently become eligible for Foreign Military Sales after a presidential determination is made in accordance with Section 3(a) of the Arms Export Control Act.

[5] Items designated as "significant combat equipment" are listed in *International Traffic in Arms Regulation (ITAR), Title 22, Code of Federal Regulations*, pts. 121-128. Generally, such equipment includes the following types of weapons: (1) nonautomatic and semiautomatic firearms to caliber .50 inclusive, automatic firearms and all components to caliber .50, insurgency-counterinsurgency weapons if in quantity; (2) guns over caliber .50, howitzers, mortars and recoilless rifles, flame throwers; (3) amunition for the above weapons; (4) rockets, bombs, grenades, torpedoes, mines, guided missiles, missile-vehicle power plants, military-type explosive excavating devices; (5) military explosives if in quantity; (6) warships, landing craft, turrets and gun mounts, nuclear propulsion plants; (7) military-type armed or armored vehicles, tanks, self-propelled guns, amphibious vehicles; (8) aircraft, including helicopters designated or modified for military purposes, spacecraft, military aircraft engines, ground-effect machines, some types of inertial systems; (9) military body armor; (10) chemical, biological and nuclear radiation agents used to incapacitate; (11) nuclear weapons and related design and test equipment; (12) items that are classified; and (13) submersible vessels designed for military purposes.

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nels to the Department of State for review, to determine whether further discussion is merited.

The primary manager of initial reviews of significant-combat-equipment requests from Category-B countries is the Office of Security Assistance and Sales (PM/SAS), within the Department of State. Such requests are also sent to the ACDA Weapons Evaluation Control Office. Frequently, ISA, DSAA and the armed services sales offices are asked to state their views. Each provides input in accordance with its special interests. For example, ACDA/WEC views a request from the perspective of how it will affect regional balances. The sales offices of the armed services would consider the request in terms of the proposed sale's impact on availability of equipment for the U.S. military. USDR&E views requests vis-a-vis technology release, the introduction of new classified equipment into a region, and the impact on U.S. production. If these various offices wish to present an opinion, that opinion will be forwarded to the DSAA Operations Office. The regional desks within DSAA Operations and the regional desks within PM/SAS maintain daily contact in any discussions about an initial review. The recommendation that PM/SAS sends back to the U.S. Embassy or to the agency dealing with a given foreign government will normally reflect the impact of the various participants.

The channels of communication and the initial review process are different in the case of Category-A countries. These are perceived as close allies, and sales to them are less controversial; thus, the decision process is rather routine if the proposed transfer amounts to $7 million or less for "significant combat equipment" or $25 million or less for "all other defense articles and services." Communication is generally directed between the relevant service's sales office and the field; DSAA, PM/SAS, the appropriate unified command and ACDA receive copies. Normally, initial review takes place within the service sales office, although certain weapon systems may warrant greater interagency review if DSAA, PM/SAS, ACDA, the unified command or others believe such a review will be useful.

Policy Review of Transfer Requests

Because arms transfers have important policy implications, elaborate review processes have developed over the years.[6] Because actors play different roles in the system, they use different criteria for

[6] The policy-review function of arms sales is considered here. We shall not discuss the decisionmaking process for the Military Assistance Program, which now represents a small proportion of security assistance as a whole.

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evaluating the utility of a proposed transfer. Typically, it is assumed that these multiple clearances will add up to a joint calculation of whether a transfer is in the national interest or not. As enumerated by General Fish, the factors considered in determining the U.S. national interest are (1) the relationship of the recipient country to the security interests of the United States, its allies and its close friends (e.g., the presence of bases or other security installations); (2) the recipient country's relationship to U.S. financial, commercial and resource interests (e.g., oil); (3) the strength of U.S. bilateral relations with the recipient country (e.g., obligations or other historical responsibilities, as in the case of Israel); (4) the role of the recipient in advancing U.S. global objectives (e.g., peaceful settlement of regional disputes, nuclear nonproliferation, human rights); and (5) the importance of the particular case to the United States' overall relationship with the recipient country. Each case is also examined in terms of its possible effect on the regional military balance in order to ensure that the security interests of the United States, its allies and its close friends are not adversely affected.[7]

Among the agencies, however, there exist differences in interpretation of the national interest — differences that the review process may not resolve. As a consequence, several review committees have emerged to consider such problems. Although the utility of a transfer will have been evaluated by many agencies, and although such reviews have been informally coordinated, certain problems can still develop. In a report to Congress in July 1977, Secretary of State Cyrus Vance discussed those problems. Noting that the system had been "essentially ad hoc and fragmented," with myriad decision channels and without "a single document or coherent series of documents on policy planning and procedures," Vance went on to say that there had been "difficulty in controlling all significant decision points" as well as problems stemming from "inadequate planning."[8] To correct this perceived deficiency, the Carter administration created the Arms Export Control Board. The AECB was designed to provide coordination and policy guidelines for the review process.

Before delineating the review function, we should give close attention to the classes of arms transfer, since different types of review occur for each class. In a broad sense, there are two types of arms exports: (1) grant aid and (2) sales for credit or cash. Sales

[7] *Review of the President's Conventional Arms Transfer Policy*, p. 82.
[8] U.S. House, Committee on International Relations, *United States Arms Transfer and Security Assistance Programs*, 95th Congress, 2nd Session, March 21, 1978, p. 75.

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may be divided into FMS and commercial. In addition, as noted earlier, there are the "significant combat equipment" types and "all other defense articles and services." We may further speak of "major defense equipment" (MDE) cases and "nonmajor defense equipment" cases. An MDE can be defined as "any item of significant combat equipment on the United States munitions list having a nonrecurring research and development cost of more than $50,000,000 or a total production cost of more than $200,000,000."[9] Subdivisions are also made into dollar groups, describing transfers of (1) $25 million and over, (2) $7 million and under, and (3) $7-25 million. Finally, as described earlier, there are Category-A and Category-B recipients. Again, the review process varies according to type.

All these transfer types have emerged because of (a) the congressional desire for an optional voice in significant transfers and (b) the U.S. government's desire to differentiate among recipients. Nonmajor defense equipment worth $25 million or less does not require congressional notification or review before a letter of offer and acceptance can be presented. Likewise, major defense equipment costing $7 million or less does not require congressional notification or review. Commercial sales and sales to Category-A nations involve different review processes; neither is included in the president's ceiling of $8.6 billion in arms transfers. Figure 2 depicts the review processes for the various cases.

Review of Commercial Export Cases

A request for sale of an item on the U.S. munitions list is first reviewed by the Office of Munitions Control. The OMC director, who manages a variety of reviews, forwards all requests to the appropriate regional bureau of the Department of State, to its counterpart element in ISA, and to ACDA. He may also send the request to the National Security Agency (NSA), NASA, ERDA and the FAA.

Within each receiving agency there is a specialization of function. For example, once a request is sent to the Department of Defense, it will be forwarded to DSAA, ISA, USDR&E or the Army, Navy or Air Force sales office, depending on the weapon. This specialization can be illustrated by focusing on a single example: USASAC.

The clearance process within USASAC usually involves the following procedures. The director of USASAC delegates the review

[9] PL 95-105, Arms Export Control Act (*Foreign Relations Authorization Act, Fiscal Year 1978, H.R. 6689*, 91 Stat. 844 at 846, approved August 17, 1977), Section 47(c).

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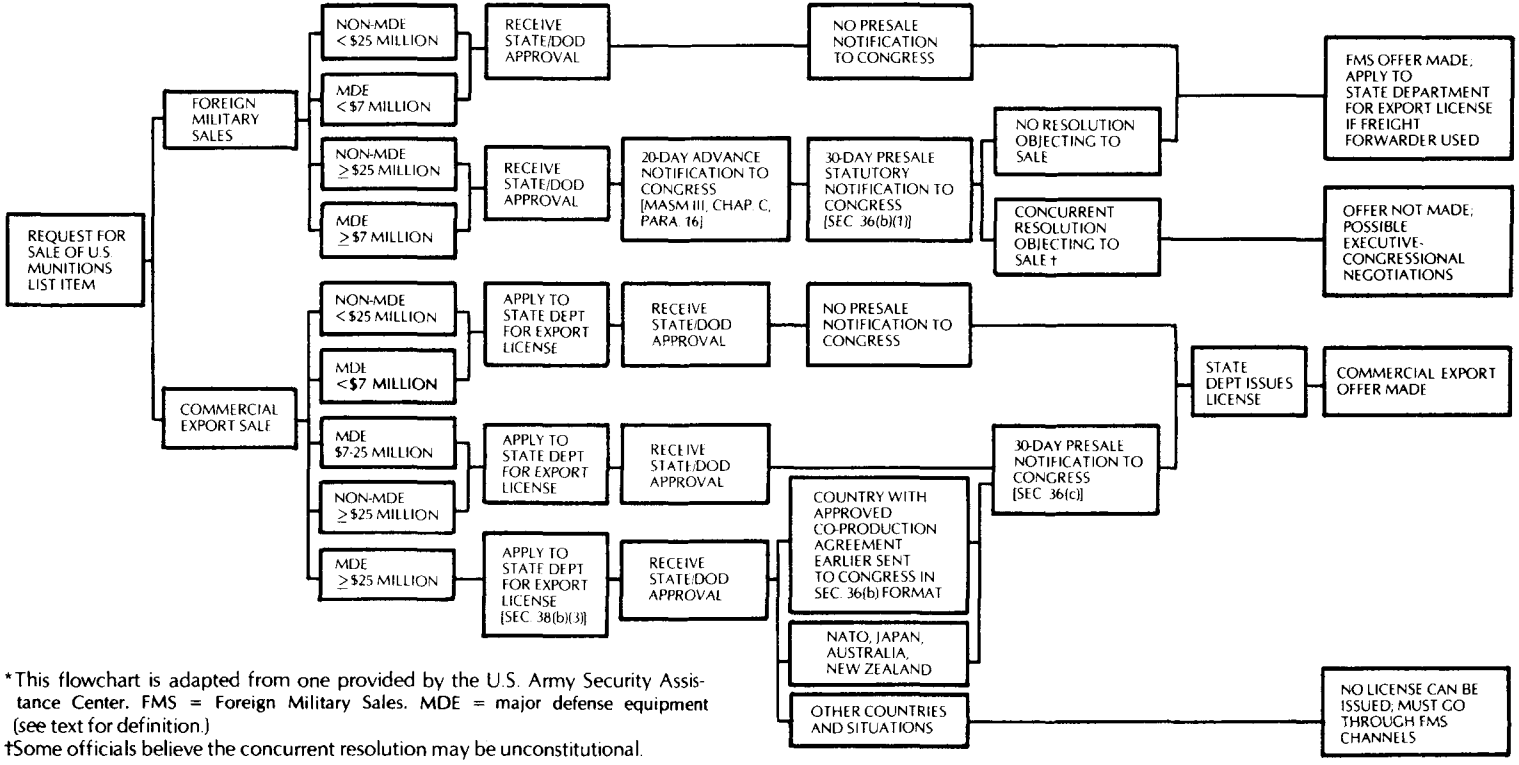
FIGURE 2
ARMS EXPORT CONTROL ACT REVIEW PROCESS*


REQUEST FOR SALE OF U.S MUNITIONS LIST ITEM
FOREIGN MILITARY SALES
COMMERCIAL EXPORT SALE
NON-MDE < $25 MILLION
MDE < $7 MILLION
NON-MDE ≥ $25 MILLION
MDE ≥ $7 MILLION
NON-MDE < $25 MILLION
MDE < $7 MILLION
MDE $7-25 MILLION
NON-MDE ≥ $25 MILLION
MDE ≥ $25 MILLION
RECEIVE STATE/DOD APPROVAL
RECEIVE STATE/DOD APPROVAL
APPLY TO STATE DEPT FOR EXPORT LICENSE
APPLY TO STATE DEPT FOR EXPORT LICENSE
APPLY TO STATE DEPT FOR EXPORT LICENSE [SEC. 38(b)(3)]
20-DAY ADVANCE NOTIFICATION TO CONGRESS [MASM III, CHAP. C, PARA. 16]
RECEIVE STATE/DOD APPROVAL
RECEIVE STATE/DOD APPROVAL
RECEIVE STATE/DOD APPROVAL
NO PRESALE NOTIFICATION TO CONGRESS
30-DAY PRESALE STATUTORY NOTIFICATION TO CONGRESS [SEC. 36(b)(1)]
NO PRESALE NOTIFICATION TO CONGRESS
30-DAY PRESALE NOTIFICATION TO CONGRESS [SEC. 36(c)]
COUNTRY WITH APPROVED CO-PRODUCTION AGREEMENT EARLIER SENT TO CONGRESS IN SEC. 36(b) FORMAT
NATO, JAPAN, AUSTRALIA, NEW ZEALAND
OTHER COUNTRIES AND SITUATIONS
NO RESOLUTION OBJECTING TO SALE
CONCURRENT RESOLUTION OBJECTING TO SALE †
STATE DEPT ISSUES LICENSE
FMS OFFER MADE; APPLY TO STATE DEPARTMENT FOR EXPORT LICENSE IF FREIGHT FORWARDER USED
OFFER NOT MADE; POSSIBLE EXECUTIVE-CONGRESSIONAL NEGOTIATIONS
COMMERCIAL EXPORT OFFER MADE
NO LICENSE CAN BE ISSUED; MUST GO THROUGH FMS CHANNELS

*This flowchart is adapted from one provided by the U.S. Army Security Assistance Center. FMS = Foreign Military Sales. MDE = major defense equipment (see text for definition.)

†Some officials believe the concurrent resolution may be unconstitutional.

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request to one of the relevant regional desks. The desk officer immediately consults the Army "item manager" or program manager (if the item is a large system still in development). The item manager, who is in charge of monitoring a specific weapon system, is an expert on that system (or service). The item manager's report is considered heavily in the final position paper of the regional desk. Essentially, though, the desk makes decisions on the basis of rationalization, standardization and interoperability (RSI),[10] in NATO, or, in other cases, on the basis of whether or not such a transfer will undermine Army procurement schedules or compromise the weapon's technological security. Once regional and technical opinion is received, the program management director will write an opinion, which, with rare exceptions, becomes the official Army view. This opinion is sent to the director of international programs, within the Office of the Undersecretary of Defense for Research and Engineering (USDR&E), which office is particularly interested in evaluating proposed transfers from the perspective of the technological security of the weapon. Finally, the opinion is sent to the Office of the Assistant Secretary of Defense for International Security Affairs and then transferred to Munitions Control.

Returning to a more general discussion, we should mention that Munitions Control will disapprove a request if the regional bureau in the Department of State or any of the service sales offices objects. Again, most commercial cases are routine and are handled by Munitions Control and the relevant service sales office, with the regional desks in State, the Office of Human Rights, the Economic Bureau, the Office of Scientific Affairs and ACDA acting as primary reviewers should they wish to provide input. Occasionally, when appropriate, NSA, the Department of Energy, NSC and other agencies are consulted.

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[10] *Rationalization:* Any action that increases the effectiveness of alliance forces through more efficient use of defense resources committed to the alliance. Rationalization includes consolidation, reassessment of national priorities to higher alliance needs, standardization, specialization, mutual support, interoperability and greater cooperation. Rationalization applies both to weapons-materiel resources and non-weapons materiel. *Standardization:* The process by which member nations achieve the closest practicable cooperation among forces, arrive at the most efficient use of research, development and production resources, and agree to adopt on the broadest possible basis (1) common or compatible operational, administrative and logistic procedures, (2) common or compatible technical procedures and criteria, (3) common, compatible or interchangeable supplies, components, weapons or equipment, and (4) common or compatible tactical documents with corresponding organizational compatibility. *Interoperability:* The ability of systems, units or forces (1) to provide services to, and accept services from, other systems, units or forces and (2) to use the services so exchanged in such a way as to operate practically together. (Interviews conducted in USASAC, February-June 1978.)

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Congress may provide the final review of a case. License requests for the export of major defense equipment amounting to $7 million or more, and any other defense articles or services amounting to $25 million or more, must be reported to Congress. In its report, the State Department must indicate the recipient, the dollar amount and the item to be exported at least thirty days before a license is issued. The Congress may also request a report on the capabilities of a weapon being exported through this channel. However, Congress has not yet provided itself a "veto power" through concurrent resolution over commercial cases [Section 36(c)] as it has over some FMS cases [36(b)].

Review of Foreign Military Sales

The review process for FMS involves a great many more actors and stages than does the process for commercial sales, largely because many FMS decisions are perceived to have greater strategic and political import. Again, FMS cases are generally divided into Category A and Category B. The first category of cases, which involves sales to allies, such as NATO countries (except Iceland, Portugal, Greece and Turkey), the developed countries of Western Europe (except Spain), Japan, Australia, and New Zealand, does not require as much policy review as Category B. Sales of defense items and services to Category-A countries are normally processed directly by the Department of Defense, which directly authorizes such sales. The service sales offices are more actively involved in the decision. State, ACDA and, to some extent, ISA are informed, but only occasionally do they play roles in Category-A case reviews.

Category-B recipients receive more extensive review. Here, the initial traffic manager is PM/SAS, but a number of traffic managers subsequently emerge. In State, an initial review is conducted by the regional bureau. Concomitantly, PM/SAS analyzes the request, and when the issue is perceived as political, it will be reviewed by close associates of the undersecretary for security assistance, science and technology. Specialized offices in the Treasury Department, Commerce, the CIA, the Office of Management and Budget (OMB), and AID will be made aware of the review and may create position papers for the later stages of interagency coordination. The Weapons Evaluation and Control Bureau (WEC) in ACDA will initiate an analysis, and the request for a foreign military sale will be sent to the Office of the Secretary of Defense (OSD) and DSAA, where a variety of specialized reviews takes place. In both

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ISA and DSAA, the transfer request will be assessed by one of the regional desks. Frequently, each service sales office will receive a request from DSAA to provide an analysis of the proposed sale. If the proposed transfer is a matter of interest to the Joint Chiefs of Staff, it may ask each of the service sales offices to do an analysis, also.

Since the Carter administration is now committed to a ceiling of $8.6 billion in Category-B sales, some coordination of request assessments is necessary to avoid going over that ceiling. The arms-transfer desk in ISA (Policy and Plans) will act as principal coordinator of discussions among participants from DSAA (primarily Operations) and the service sales offices. The intent of the ceiling is to generate a consideration of priorities.

Finally, a position paper is presented to the Assistant Secretary for International Security Affairs, in Defense, who will then forward his opinion to the Department of State. The process within State is very similar. An analysis will be conducted by PM/SAS, which will also request an opinion from each of the regional bureaus. The regional bureaus will have briefs presented by the country desks. The opinions of other agencies, together with the views of the regional bureaus, are then forwarded to the director for politico-military affairs, who acts on behalf of the secretary of state in most roles decisions.

The Arms Export Control Board

The AECB was created early in 1978 to improve the coordination of all security-assistance decisions. It replaced the Security Assistance Program Review Committee (SAPRC), which had been responsible for coordinating the Military Assistance Program (MAP), credit decisions, International Military Education and Training (IMET) and security-supporting assistance. Besides handling the already existing SAPRC functions, the AECB is "concerned with policies and procedures for conventional arms transfers under MAP, FMS and commercial sales." It is designed to be an "advisory body with policy planning and review functions" and "will serve to assist the Under Secretary of State for Security Assistance in carrying out delegated responsibilities and in advising the Secretary of State on policy matters." As such, the AECB is not a policymaking body. As was stated in materials submitted to Congress by Undersecretary of State Lucy Benson on February 1, 1978:

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It will review, consult, and hear recommendations on security assistance and arms export control policy on: procedures for implementing the Arms Transfer Policy conveyed by the Presidential statement on May 19, 1977; guidelines and criteria for setting priorities and making decisions; means for systematically collecting, analyzing and utilizing pertinent data, and for exchanging views of interested agencies; transfers of defense articles and services as they relate to policy; preparation and submission of all security assistance plans, programs, budgets and legislative proposals.[11]

According to Undersecretary Benson, the AECB is in fact accomplishing the following tasks that it was designated to accomplish:

To provide the Secretary of State with a reliable mechanism for carrying out his responsibility for continuing supervision and general direction of the country's arms transfer activities; to ensure that all the agencies involved in the arms transfer business are aware of the provisions and requirements of the policy and that they apply them consistently; and to set orderly procedures for handling day-to-day arms transfer operations and for reconciling policy differences, and for making decisions.[12]

The AECB is chaired by the undersecretary of state for security assistance. On the board sit representatives of State, Defense and the Treasury; the Joint Chiefs of Staff; ACDA; the National Security Council; the CIA; the Agency for International Development; and the Office of Management and Budget. Typically, meetings of the AECB are gatherings of up to fifty people. Discussions, however, usually take place only among the agency directors and the assistant secretaries. Each presents the aforementioned position papers generated by his own agency. Attempts are made to reach a consensus, but since the AECB is an advisory body, consensus is not necessary. The undersecretary declares a "sense of the meeting" and forwards the position of the group to the secretary of state; any dissenting views are also forwarded. The secretary may then forward his recommendation to the president. It should be noted that while only politically sensitive sales cases are actually discussed at AECB meetings, most of the bargaining or discussion relates to the creation of general-security-assistance policies or guidelines.

Since its inception, the AECB has devoted considerable time to the ceiling: what it is, what should be in it, how to organize the ceiling process. Specific cases are discussed primarily in terms of their meaning for the ceiling. But the AECB rarely addresses the question of whether or not to sell to, say, Country X within Category B.

In the event of disagreement on a case, the discussions

[11] *Review of the President's Conventional Arms Transfer Policy*, p. 2.
[12] *Ibid.*, pp. 48-50.

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normally take place between the director of politico-military affairs and the assistant secretary of defense (ISA). If no agreement is reached or if the case is politically sensitive, the secretaries of state and defense may discuss the issue. Occasionally, the Policy Review Committee, made up from the relevant departments that may meet within the National Security Council, will attempt to provide a coordinated opinion for the president. The president may seek advice from other sources, but the decision to sell is his.

Congress and Review

Certain sales cases require congressional notification, and some others are subject to congressional veto. The various reporting requirements provide Congress, especially the Foreign Relations Committee and the International Relations Committee, an opportunity to monitor security-assistance decisions in a timely way. The Congress receives quarterly reports of all letters of offer on any major defense equipment worth $1 million or more.

Section 36(b) of the Arms Export Control Act provides Congress with a policy veto for certain kinds of arms transfer. Before any letter of offer can be made for defense services or items costing $25 million or more, or for major defense equipment amounting to $7 million or more, the Committee on International Relations and the Committee on Foreign Relations must be notified thirty days in advance. By agreement with the executive branch, the Congress is provided a twenty-day advance notice. During the thirty-day period, Congress, by concurrent resolution, may object to the sale. Since 1974, however, when the procedure was adopted, the Congress has never passed a concurrent resolution against a sale. Moreover, many officials in the executive branch feel that the concurrent resolution is unconstitutional. Hearings have been held on some proposed sales. Occasionally, however, after considerable bargaining or alteration of the proposed letter of offer, the Foreign Relations Committee or the International Relations Committee has dropped its objections.

Negotiation and Development of Agreements

Once the appropriate agency, the president or the Congress (depending on the case) has approved the proposed transfer, a letter of offer and acceptance (LOA) is developed. The service sales offices of the Army, Navy and Air Force, working closely with DSAA, are the primary actors here. It frequently takes from sixty to ninety days to obtain the price and availability data.

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Negotiation with the recipient often takes place during this period, although it can also take place after presentation of the LOA. Negotiations take place through numerous channels and at a variety of levels. Sometimes the host government negotiates with the MAAG; at other times, with an ambassador; and sometimes the secretary of state becomes involved. More sophisticated weapon systems may require U.S. survey teams to determine in detail the host's needs and capabilities. It may also be necessary for the sales officers of the Army, Navy or Air Force to send special technical teams to the recipient to negotiate. Occasionally, when negotiations are at a stalemate, a special briefing team may be sent to provide information about some specific aspect of the negotiations. Some nations send negotiating teams to the United States to examine equipment, talk with producers or visit test facilities. A few have supply missions in Washington that may talk directly with the sales office of one of the services or with officials in PM/SAS.

The issues that must be resolved in security-assistance negotiations will also vary. When the request is merely for an item currently being procured by the U.S. military, certain standard items appear in the discussions: the type within a weapon-system family; price, including procurement, handling, accounting and delivery costs; availability; delivery dates; expiration dates; supply and support arrangements; guarantees for each party; and special conditions of use. Co-production negotiations are even more complex.

Considerable time and energy are expended at this stage in order to establish reliable price and availability estimates. Unexpected and substantial price increases and delivery delays might lead to a government's disillusionment with the U.S. security-assistance system. Foreign customers must be warned that the price quotations contained in the sale request or in the final letter of offer are only estimates and that, by law, the United States must be reimbursed for all actual costs of equipment and services. The negotiators work closely with DSAA and the armed services to assure accuracy in price-and-availability information.

Execution of Agreements

In commercial cases, the fifth function is performed when the Office of Munitions Control provides an export license to an industry that has negotiated a contract with a foreign government. The execution function for FMS cases, however, is much more complicated. After review and approval, a letter of offer and acceptance

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is sent to the recipient, and discussions take place. If the LOA is accepted, the execution stage is implemented.

In performing this function, DSAA is pre-eminently involved. It is the primary manager of all other agencies or defense elements where this function is involved. As stated by the present director of DSAA, Lt. General Ernest Graves, Jr., "the defense role on policy formation is subordinate to and supportive of that exercised by the Secretary of State. . . . we plan, program, procure, deliver, train, support, account, bill, collect, and report. In other words, we are primarily the program managers."[13]

Each service has a sales division that handles requisitions, ensures that the materiel is shipped, tracks shipments and has responsibility for some of the fiscal aspects of FMS. Offices such as the Security Assistance Accounting Center (SAAC) monitor payment and ensure the receipt of funds from foreign governments. When funds are provided, procurement can begin. Procurement of materiel from industry and stocks, together with reimbursement of supplies, is the central task to be executed. DSAA and the service divisions must ensure that plans are provided for support (including logistic support) of the transfer. Records must document the number and types of items delivered under various contracts. In the case of FMS, accounting procedures must ensure that the United States is fully reimbursed for the work of procurement. It must be determined that the materiel shipped is of the same quality as that provided to the U.S. military, and most items are subject to preshipment inspection. In addition, field personnel monitor the shipments to their hosts; they frequently discover problems in the delivery process.

"Feedback"

Feedback refers to information about the impact of a military transfer or service. The information may bear on U.S. management of a service (e.g., whether deliveries are timely or whether proper accounting techniques have been used), or it may relate to foreign government utilization of delivered equipment or services. The acquisition of such information is principally performed by the MAAGs, which are required to monitor the condition and use of equipment provided through MAP. The MAAGs are also required to determine whether the host is using the equipment in the manner described by the MAP agreement. They help prepare an annual

[13] U.S. House, Committee on International Relations, *Hearings on Foreign Assistance Legislation for Fiscal Year 1979 (Part 2)*, 95th Congress, 2nd Session, March 1978, pp. 92-93.

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report on the quantity, condition and current use of the materiel. The volume of MAP transfers has declined, but the magnitude of the reporting task diminishes only slowly because it pertains to equipment in inventory, not simply to current transfers.

In the past, the Joint Strategic Objectives Plan (JSOP), a coordinated assessment of a given nation's security capabilities, provided the MAAG and others with an opportunity to cite problems that might be emerging in MAP or FMS transfer programs. The JSOP has now been replaced by the Joint Strategic Planning Document Supporting Analysis and the Joint Procedures Assessment Memorandum, both of which address security priorities. Evaluation of the host's utilization of weapon services is part of that task; that is to say, while the JSOP has been replaced, the reporting opportunity it once offered the MAAGs is now provided through the JSPDSA exercise.

The zero-base budgeting now prescribed by the Carter administration allows field personnel and others who monitor arms transfers to provide feedback about security assistance in the course of planning budget justifications. As implemented, zero-base budgeting provides for several levels of program justification for each country in which there is a security-assistance team.

Feedback is also generated by foreign governments when they complain, as they sometimes do, about equipment malfunctions, delayed deliveries, and logistic-support problems. Host governments usually make such complaints to the MAAG. Another form of feedback occurs in the form of requests for "follow-on" sales or service. Occasionally, survey teams are sent to assess host problems in adapting a weapon or weapon system into his force structure. In the embassy, of course, the political counselor or the defense attache receives, and may report, information on host utilization of equipment or services. In addition, the CIA may evaluate host capabilities.

Security-assistance programs in a given country may also be assessed by the General Accounting Office as it attempts to determine whether the proper accounting techniques are being used and whether the law is being implemented by DSAA or the MAAG, as it evaluates decisions, and as it assesses the management structure or any other element of the system as requested by Congress. Occasionally, congressional staff members will themselves evaluate security-assistance activities, both in the field and in Washington. While the information thus acquired may be intended primarily for the use of Congress, other actors in the security-assistance adminis-

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trative system usually pay attention to such information when it becomes available.

Anticipated and Emerging Problems of the New System

The new mechanisms of policy and management control in the security-assistance system are designed to correct perceived failings in that system. The general direction of the changes, as seen above, has been to reduce the strength of the field offices, to concentrate functions in Washington, and to subject arms-transfer decisions to an extensive clearance process within the executive branch and the Congress. What has emerged is a complex and counterbalanced system of procedures and policy guidelines. Some problems can be anticipated in the operation of the new system.

Diminishing Field Capabilities

A serious emergent problem is the growing disparity between the reduced capability of the security-assistance administration in the field and the increased need of information for policy review and implementation. Military Assistance Advisory Groups are the principal field monitors for the system, yet MAAG strength and functions have been drastically reduced. Corresponding declines have occurred in "in-country" field capabilities (a) to monitor host-government use of MAP and sale-acquired materiel and (b) to monitor and expedite MAP and FMS deliveries.

Since FY 1960, sizable personnel reductions have occurred. In FY 1960, more than 7,000 U.S. personnel were assigned to overseas security-assistance organizations; by FY 1978, that figure had been reduced to fewer than 1,000. Military personnel alone have been reduced by more than 100 per cent since FY 1974: from 2,109 in FY 1974 to 854 in FY 1978. Figure 3 illustrates this reduction in U.S. personnel. The reductions, however, have been greater in some countries than in others. An analysis of authorized military strength for MAAGs or equivalent organizations that processed security assistance in FY 1974-1978 revealed five basic military-manpower patterns. Table I shows those patterns.

First of all, there were a number of countries in which large MAAGs were reduced substantially but remained relatively large. These missions were in Korea, Saudi Arabia, Thailand, Turkey and Brazil. A second group consisted of thirteen countries with moderate-size missions that were drastically reduced to either three- or six-man teams in FY 1977 or FY 1978. A third group, again of thir-

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TABLE I

AUTHORIZED STRENGTHS FOR MILITARY PERSONNEL PROCESSING MAP, FMS, FMS CREDIT AND COMMERCIAL SALES

	FY 1974	*FY 1975*	*FY 1976*	*FY 1977*	*FY 1978*	*Reduction/ Expansion Since FY 1976*
Type 1: Large Missions Reduced						
Thailand	258	169	166	117	40	—126
Saudi Arabia	133	140	184	167	80	—68
Turkey	146	146	113	85	64	—49
Korea	397	159	155	154	130	—25
Brazil	40	40	38	38	32	—6
Type 2: Medium Missions Drastically Reduced						
Indonesia	45	55	55	54	6	—48
Taiwan	166	46	43	30	6	—37
Venezuela	36	31	30	19	6	—24
Bolivia	29	29	29	29	6	—23
Argentina	29	27	27	22	6	—21
Germany	26	22	22	3	6	—16
Colombia	24	24	22	21	6	—15
Guatemala	19	19	15	12	4	—11
Paraguay	15	14	14	3	3	—11
Nicaragua	17	17	15	11	6	—9
Italy	11	11	11	3	3	—8
Chile	15	15	15	7	6	—7
Uruguay	13	13	13	3	3	—10
Type 3: Small Missions Reduced to Six or Fewer						
Honduras	11	11	11	11	6	—5
El Salvador	10	10	10	6	5	—5
Netherlands	8	8	8	3	3	—5
Zaire	20	10	10	10	6	—4
Denmark	7	7	7	3	3	—4
Liberia	16	12	9	9	6	—3
Tunisia	8	9	9	9	6	—3
Pakistan	5	8	9	9	6	—3
Dominican Republic	11	8	8	8	5	—3

teen nations, had military-assistance missions of comparatively small size that were also reduced to six or fewer personnel. Commonly, the reduction in FY 1977 or FY 1978 was from a nine-man management team to a six-man team. Another group of nations was scarcely affected by military personnel reductions. Some countries, such as Iran, the Philippines, Greece and Morocco, had fairly large missions, none of which was reduced until the MAAG unit in Iran was dissolved early in 1979. Others, such as Peru and Japan, experienced a reduction of only one person. Still others, such as Costa Rica or

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TABLE I (Continued)

	FY 1974	FY 1975	FY 1976	FY 1977	FY 1978	Reduction/ Expansion Since FY 1976
France	7	7	6	3	3	−3
Norway	6	6	6	3	3	−3
Ecuador	...	6	8	6	6	−2
Belgium	7	7	7	3	5	−2
Type 4: Relatively Stable Missions						
Iran	192	191	191	185	185	−5
Philippines	50	45	39	37	34	−5
Greece	46	27	29	29	28	−1
Morocco	18	18	19	19	16	−3
Peru	7	7	7	7	6	−1
Japan	7	7	7	7	6	−1
Kuwait	...	9	9	9	9	0
India	4	4	4	2	2	−2
Australia	3	3	3	3	2	−1
Costa Rica	4	2	2	2	2	0
Austria	2	2	2	2	2	0
United Kingdom	...	...	2	2	2	0
Nigeria	1	1	1	1	1	0
Haiti	...	...	...	1	1	0
Mexico	1	1	1	1	1	0
Yemen	...	...	...	1	1	0
Singapore	1	1	1	1	1	0
Malaysia	...	1	1	1	1	0
Khmer Republic	77	82	...	...	...	...
Ethiopia*	80	79	46	46	0	...
Type 5: Expanded Missions						
Panama	9	9	9	13	13	+4
Spain	38	31	25	30	27	+3
Jordan	8	9	9	10	10	+1
Portugal	11	11	11	12	12	+1

* Deactivated May 10, 1977.

Nigeria, experienced no changes in representation during FY 1977 or FY 1978. Finally, four nations experienced an increase in the number of MAAG personnel stationed within their borders. In FY 1977, the MAAG strength in Spain was expanded from twenty-five to thirty; in Panama, from nine to thirteen; in Portugal, from eleven to twelve; and in Jordan, from nine to ten.

Besides reductions in personnel, traditional MAAG functions were eliminated or restricted. Congress, in particular, was concerned about the autonomy of field personnel and the extent to

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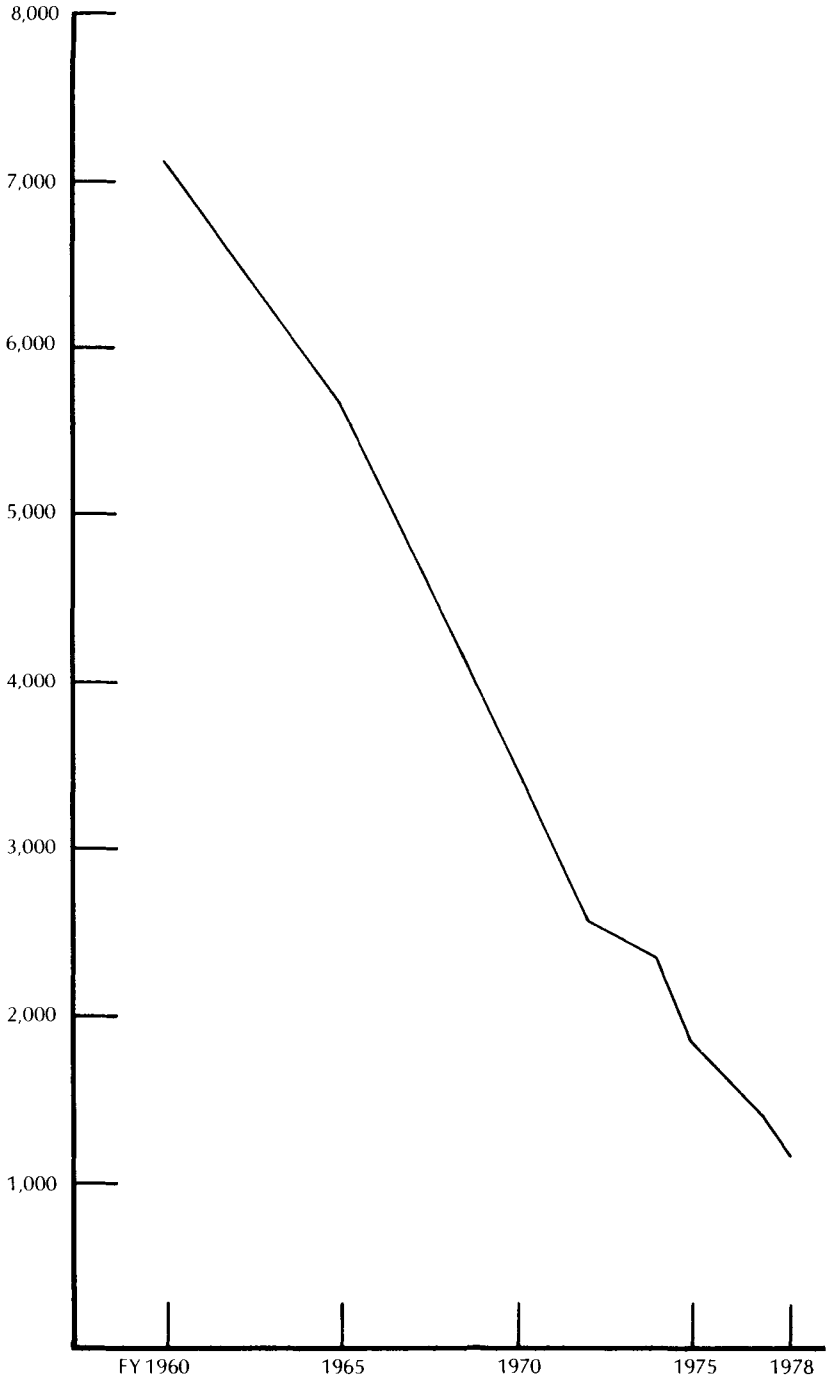
FIGURE 3

DECLINE OF AUTHORIZED U.S. PERSONNEL, MILITARY AND CIVILIAN, IN OVERSEAS SECURITY-ASSISTANCE ORGANIZATIONS



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which they might precipitate an extensive U.S. commitment or promote arms sales. Thus, legislation was created to limit MAAG activities, and, in 1976 and 1977, implementing instructions came into being.[14] The Congress limited advisory and training activities; stated logistic and fiscal management, transportation and contract administration to be primary functions; ordered MAAG personnel not to discuss new weapon systems with host-country officials without prior approval; and required the MAAGs to seek close supervision and guidance from the U.S. ambassador.

The MAAG chiefs that we interviewed complained that limited staff and new reporting requirements seriously limit their efficiency in the field. By law, MAAGs are required to report on the quantity and current use of all MAP equipment. They are also regularly asked to provide information to the Joint Chiefs, OSD, the armed services, PM/SAS, DSAA and others. Most of the MAAG personnel we interviewed, in fact, indicated that they were unable to meet the reporting requirements placed on them and still perform their primary functions: logistic and fiscal management, transportation and contract administration. These claims should not be wholly discounted.

We discovered a vicious circle with regard to MAAG reports. Under the new system, MAAGs are tasked to provide more information, but because of limited MAAG staffs and poorer quality reports from the field, Washington tends to question the utility of that information. The problems that stem from such limited capabilities, and from the resultant lack of confidence in information from the field, can be illustrated by what is admittedly an especially demanding requirement: ceiling management. The policy-clearance and ceiling-management processes close off information important to the making of sound decisions. When the several Washington decisionmakers who are involved in ceiling management attempt not only to assess the need for, and assign a priority to, a nation's request, but to anticipate (sometimes months in advance) what that request will be, as sound management of the ceiling requires, they need someone in the field with convenient access to the general plans of the prospective buyer. MAAG personnel are usually, though not always, in the best position to obtain this information. They may not have the influence and access they often claim, but if decisions about arms sales are to be centralized in Washington, then serious consideration must be given to what timely and accurate informa-

[14] See the 1977 International Security Act (PL 95-92) and the 1976 International Security Assistance and Arms Export Control Act (PL 94-329).

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tion can be acquired from the field, and to the best way of acquiring it. This may require more security-assistance experts in the field, different arrangements within the country team, or heavier reliance on temporary or mobile teams.

The present administrative system was born of concern in the Congress and in the Carter administration about the increasing volume of U.S. arms sales abroad. Much attention has been devoted to measures intended to ensure that MAAG officials in particular do not generate arms sales. The two principal measures employed have been (1) reductions in strength and (2) detailed instructions that proscribe activities by MAAG officials deemed likely to encourage host countries to buy more arms. Without a doubt, these restrictions on the strength and discretion of the MAAGs limit their ability to provide feedback of potential use in evaluating arms-sales requests.

Our interviews suggest that the restrictions placed on MAAG activities have generated uncertainty among host-government officials about the ability of MAAG officials to solve FMS problems or even to arrange to have them solved. Our interviews indicate too, that these doubts about the utility of the MAAGs extend beyond their former, now proscribed, advisory role to include much of their present management role, as well. There was concern among our MAAG-chief respondents that without an unambiguous mandate to talk with senior host military personnel "in country," the United States would not have a reliable means of independently estimating the future military needs of friendly nations.

The policies and decisions that are the products of the security-assistance administrative system described above are no better than the information on which they are based. MAP contributes only a small percentage of the total volume of arms-supply transfers; thus, a security-assistance policy depends mainly on decisions about FMS and commercial sales, which contribute the largest percentage. The MAAGs, of course, are not the only source of information about the military plans and programs of the host governments, and field representatives in any case are subject to special biases. Nevertheless, the MAAGs have been and are a potentially valuable information source that can help improve the quality of U.S. security-assistance policies and decisions. If the MAAGs, as presently constituted and organized, do not deserve the confidence necessary to make them effective, then it would seem advisable to change them so that they can command the necessary confidence, thus permitting their use in crucial feedback and evaluation roles.

The actual and potential weaknesses of the MAAGs as

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field-office information gatherers for the security-assistance administrative system are sharpened by the fact that, almost by accident, feedback about FMS tends to be weak anyway. Feedback on FMS cases is largely limited to new sales that emerge as an arms buyer attempts to solve problems related to a previous, usually recent, acquisition. While zero-base budgeting procedures require that MAAGs located in MAP recipient countries evaluate and report on the consequences of various assistance programs, these requirements do not apply to FMS cases, since FMS is not a federal expenditure. As one participant in the security-assistance administrative system suggested: "The whole FMS system is not interested in feedback information. MAP, yes! But with FMS cases we really don't care if the equipment rots."

Rigidity of Security-Assistance Policies

We have already discussed several problems associated with the formality or complexity of the administrative processes related to security assistance. One aspect of that formality is the growing rigidity of security-assistance policies. That rigidity is revealed by the increasing number of restrictions relating to who can receive security assistance and how such assistance can be used. Some of the restrictions are quite valuable; others are well intended. The cumulative result, however, is a system increasingly incapable of flexible response to changing world conditions.

The following list of restrictions reveals the extent of the system's rigidity. It is by no means a complete list, and the restrictions noted here are merely summarized. A more thorough description of each restriction can be found in the 1961 Foreign Assistance Act, as amended, or in the analysis of that act done by the Congressional Research Service.[15] The following list includes restrictions on MAP and on FMS:

1. The president must determine that MAP will strengthen the security of the United States and promote world peace.
2. Receipt of U.S. military assistance does not imply a defense commitment to a nation.
3. A recipient must use the aid solely for internal security, self-defense or participation in collective-security activities consistent with the charter of the United States.
4. A recipient country will prevent defense items from being used by anyone other than an official agent of that country and will not permit transfer of the items to another nation.

[15] U.S. House, Committee on International Relations, *United States Arms Transfer and Security Assistance Programs.*

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5. The president cannot permit third-country transfers to nations other than those to which the United States would itself transfer the weapon.
6. Military assistance is prohibited to nations that fundamentally violate human rights.
7. Only eight countries can receive military grant assistance in FY 1978: Greece, Portugal, Spain, Turkey, Jordan, Indonesia, the Philippines, and Thailand.
8. No assistance may be provided to countries that discriminate against U.S. citizens who may be involved in furnishing aid to that government.
9. No military assistance may be provided to communist nations.
10. No MAP may be provided to Cuba.
11. No MAP may be provided to countries where a U.S. citizen has been denied legal recourse in collecting debts from the government.
12. No security assistance may be provided to a nation that the president determines is engaging in aggression against the United States or against a U.S. aid recipient.
13. No MAP may be provided to a country that has nationalized or seized property of U.S. corporations.
14. No funds may be provided for police training.
15. No funds may be provided for any country that aids or abets terrorist groups.
16. No military assistance may be provided to a country that receives "nuclear enriched equipment" that is not controlled through multilateral management under the safeguards of the International Atomic Energy Agency.
17. No military assistance may be provided to a country that explodes a nuclear device.
18. No assistance may be provided that will aid Angola.
19. No assistance may be available to Chile.
20. All assistance and sales to Turkey are suspended until it makes progress in negotiations concerning its military forces on Cyprus.
21. No military assistance may be provided to Argentina.
22. Only $40 million may be provided in military assistance for Africa.
23. Countries that have bases constructed or managed by the United States must permit U.S. news correspondents to enter those bases.
24. No MAP funds for a country may be used for CIA activities.
25. No aid may be provided to Zaire unless a detailed explanation is presented to Congress.
26. No military-assistance funds may be used to compensate the owners of expropriated property.
27. No security-assistance funds may be used to finance nuclear power plants.
28. No funds may be used to purchase new automotive vehicles outside the United States.
29. All contracts must contain a provision authorizing termination of the contract at the convenience of the United States.
30. No military assistance may be provided to Uganda, Cambodia, Laos, Vietnam, Mozambique, Ethiopia or Uruguay.
31. No military assistance may be provided to a country in default of its loan payments for a period longer than one year.
32. Dollar limits have been set for aid to the Philippines: $18 million for

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military assistance; $1.85 million for credit assistance; $700,000 for IMET.

33. The president may consider terminating aid to any nation that fails to prevent mob damage to U.S. property.
34. The president may terminate aid to any nation failing to provide investment guarantees against expropriation.
35. The president may terminate aid to any country that imposes penalties against U.S. fishing vessels for activities in international waters.
36. The president may terminate aid to any nation that fails to prevent illegal drug traffic.
37. The president may terminate aid to any government in which an official receives improper payment from a U.S. company.
38. No more than twenty flag officers may be stationed in any country receiving security assistance.
39. For FY 1978, only fifteen countries are authorized to have MAAGs. In Iran, Kuwait and Saudi Arabia, the MAAGs must be stationed on a reimbursable basis.
40. Elsewhere, up to six-man teams are authorized.
41. The primary function of MAAGs must be logistic and physical management, transportation and contract administration of country programs.
42. All advisory and training roles must be performed by temporary teams.
43. All MAAGs are under the control of the chief of mission.
44. Export-Import Bank credit may be used for sales of defense items only to developed nations.
45. Sales of defense items or services that would have an adverse effect on U.S. combat readiness will be kept to an absolute minimum.
46. No sale or credit shall be provided to a country that is diverting PL-480 funds for the purpose of military expenditures.
47. FMS funds may not be used for procurement outside the United States unless the president determines that such procurement is not adverse to the United States' interests.
48. No credit may be provided for the sale of sophisticated weapon systems to any underdeveloped country other than Greece, Turkey, Iran, Israel, the Republic of China or the Philippines unless the president determines such financing is necessary to the national interest.
49. Credit for co-production agreements is strictly limited.
50. Credit for Argentina, Brazil, El Salvador, Guatemala, Cuba, Ethiopia, Uganda, Cambodia, Vietnam, Laos, Mozambique and Angola is prohibited.
51. No credit or cash sales to Chile or Argentina will be permitted.
52. Cash and credit sales to Turkey are limited to $175 million for FY 1978.
53. Any cash sale agreement may be cancelled by the United States at its discretion at any time.
54. No military personnel can perform combat duties related to an FMS case.

Certain aspects of the president's six-point program of restraint create further rigidity. First, the ceiling concept does not permit adequate flexibility to accommodate to the fact that arms-

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transfer requests will vary from year to year according to changing perceptions of threat or need. Second, the stricture against production of advanced weapon systems solely for export denies the U.S. government a means by which to adapt its weapons production to the unique geographic, developmental and technological conditions that may exist among potential recipients: weapons from the U.S. inventory may be too sophisticated for certain regions. Third, the stricture against third-country transfers, a long-standing principle given new vitality, may undermine other foreign policy goals, such as standardization in NATO. Europeans hope to recover much of their developmental cost by selling abroad and thus will be less willing to enter into standardization agreements carrying such a stricture. Fourth, since many nations prefer co-production arrangements, the United States may find that this form of restraint will encourage other suppliers to increase their arms-sales activities. That would be a setback to global arms-sales restraint as a U.S. policy objective.

Ceiling Management

A related trend in security assistance is the emergence of ceiling management. The ceiling concept is a manifestation of domestic pressures for restraint in the security-assistance program. For FY 1978 there is an $8.6-billion limit on certain arms transfers. Both FMS weapons and weapon-related items and services to Category-B nations are included under the ceiling.

Several assets derive from the ceiling instrument. First, it is an obvious signal to other industrial powers that the United States is interested in limiting the flow of arms to nonindustrial or unstable areas. Second, the ceiling may compel many nations to plan their weapons acquisitions more adequately. If the ceiling is continued, consumer nations may find it necessary to make their requests well in advance in order to ensure being included in transfers for a particular year. This may induce some to analyze their acquisition priorities more thoroughly. Third, the concept may help ensure top-level decisionmaking in the United States on many transfer requests, since each sale must be measured against all other Category-B FMS cases. Fourth, the ceiling may ensure that the varied and sometimes autonomous decision units within the U.S. security-assistance system coordinate their activities. The various sales units must negotiate with each other to determine which cases will or will not be included in a given year. Fifth, the process of negotiating which cases will be included in the year's transfer may give rise to a consideration

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of priorities among cases. If certain cases are to be rejected, then a formal or informal set of rules will probably emerge.

The ceiling concept, then, may be a useful first step in the effort to increase overall planning, coordination and control over security assistance. Yet, our interviews suggest that, in this first year of operation, at least, the ceiling process suffered from major problems. The process has been described to us as chaotic and haphazard. Often, it seems that the ceiling received more attention than the individual merits of the arms-transfer case. There appears to be no set order among the agencies for approval or disapproval. There are no explicit priorities except that sales to Latin American countries and other "unimportant" countries take months for approval. In working with the ceiling, the agencies apparently want to keep their options open. The smaller states, which often have less pressing arms requirements and requests, are discriminated against. These countries receive the bulk of the disapprovals apparently so that space may be kept available under the ceiling for major items. Sales to the "Big Five" (Israel, Iran, Saudi Arabia, Taiwan and Korea) in FY 1978 constituted the bulk of the ceiling-type transfers. It appears that for FY 1979 only about $700 million will be approved for the smaller purchasers. (We were advised, however, that $1 billion would be set aside for the smaller countries in FY 1980.)

Moreover, there seems to be no practicable way by which commitments or requests that the administration might want to be approved can be anticipated. More than seventy sovereign nations request arms from the United States at present; and, given alternative supply sources, it does not seem likely that they will be willing to assist the U.S. planning effort in the future.

Many of the decisionmakers we interviewed also complained of the great cost in time and manpower. Each of the relevant agencies must assign several specialists to the task of bargaining over which case will be included or will not be included in the ceiling. The bargaining process, as well as the shortage in manpower, slows down the system.

Much of the bargaining, moreover, appears to center around a discussion of whether a nation's request will be approved this year or next year. It seems valid to argue that if in our view a nation needs certain weapons now, then that nation should have them now.

Finally, as the ceiling is implemented over the next five years, it will decrease policy discretion. If the ceiling is reduced each year and if, as expected, items sold now will later require supplies

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and follow-on service, little flexibility will remain for the system to respond to the real security needs of U.S. friends.

We believe that the ceiling is a first step in the creation of an overall security-assistance policy. In the past, certainly, it appeared that the U.S. government's response to country requests was *ad hoc*. It seems to us, though, that a more useful device than the ceiling would be a regional plan or a functionally specific plan; the various agencies would establish an explicit set of guidelines for certain regions or for certain international situations. The regional plan or regional ceiling would be established each year after coordinated studies by the relevant foreign policy offices and the Congress. Such a plan would not necessarily be committed to reducing transfers by a certain amount each year, but it would be more flexible. It would attempt to react to changing regional situations as they affect U.S. national security.

Supply or Purchasing Missions

A current trend that has support in Congress, in the General Accounting Office and from some members of the Carter administration is to shift the responsibility for securty-assistance administration increasingly onto the buyer governments. This shift is further recognized to entail a change of locus, from the buyer's capital to Washington, where administration would be handled by buyer-government purchasing missions. Also obvious, it entails a shift in the performance of certain functions from U.S. personnel to buyer-government personnel.

U.S. influence over buyer military policies, assuming that Washington wants to exercise such influence, is more likely if the U.S. government speaks with one voice, makes credible statements and ensures that it has not been unduly influenced in the first place by buyer-government contacts with specific elements of the U.S. government. This is by no means a trivial problem. Compared with buyer governments, the U.S. government is usually bigger, more complex and more pluralistic, and the extensive clearance procedures now followed in the security-assistance system give full play to that size, complexity and pluralism. To shift the performance of some functions from U.S. officials to foreign officials manning the purchasing missions, and from their capitals to Washington, would make it more difficult for the U.S. government to evaluate its programs, establish coherent purposes, speak with one voice, take coordinated action, and monitor and control its own activities. The U.S.

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administrative system would be rendered more vulnerable to the initiatives of other governments and of private interests whose objectives are not shared by Washington.

Reliance on Formal Procedures

The new system relies heavily on organizational formality — formal assignment of tasks and procedures; formal statements of principles and goals. It seeks to minimize the problems perceived in the old system by means of an overlay of monitoring and policy-clearance procedures, as well as by other changes, such as a reduction in the strength and role of the MAAGs. This reliance on formal mechanisms may indeed accomplish many of the objectives sought; but there is also a danger of introducing new problems into security-assistance administration, and in some cases problems have already been introduced.

The formal mechanisms of the new system makes it less easy to put pressure, discreetly and inconspicuously, on another government with regard to security assistance. The elaborate process set up as the control mechanism for security-assistance administration minimizes the prospects that the United States can influence without being obvious. On the other hand, the new system makes some gains in Washington's capacity to exercise influence, and those gains, to be sure, need to be recognized. It can be helpful for U.S. officials who must deal on a day-to-day basis with buyer governments, and who are in a position to exercise influence discreetly, to have rules or guidelines that limit their ability to accommodate the buyer. In this respect, the new system has built-in arrangements that can facilitate U.S. influence. Specifically, when Washington states broad policies and then sticks with those policies consistently, they become facts of life with which host governments must live. This has been the case with at least some components of our human rights policies: other governments now recognize — at least some of them do — that the U.S. government is going to behave in a certain way.

At the same time, the new system employs a conspicuous process of broad clearances that applies explicit decision principles. These characteristics of the clearance process (a) reduce the ability of U.S. officials to bargain with other governments and (b) limit discussions of possible contract terms with a prospective buyer country. These difficulties can be circumvented, most obviously, by having the secretary of state or the president act as spokesman: some bilateral arms transfers involve sufficiently important policy stakes to

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bring them in anyway. But involving the president and the secretary of state is itself a cost, given their limited time and the fact that their involvement makes the case more conspicuous.

As a clearance mechanism, the AECB has so far absorbed more problems than it has generated by serving as a consensus-building forum. Since it serves only in an advisory capacity to the secretary of state, the secretary is officially free to act contrary to the sense of AECB's deliberations. The AECB is not, however, organized to resolve disagreements over policy among the principal actors in the security-assistance administrative system. It can operate smoothly in the manner that it now operates only so long as it does not have to handle major disagreements among its principal participants. As matters now stand, the system depends mainly on the mutual interpersonal confidence of the principal participants in security assistance. *These personal relations carry the AECB, not the other way* around. The system also depends on the fact that no one among the principal participants challenges current applications of arms-transfer policy.

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THE SOVIET ENERGY DILEMMA*

by Tyrus W. Cobb

The turmoil in the world energy market over the past five years has generated numerous studies regarding the political and economic implications arising from the growing dependence of the Western democracies on energy exports from OPEC — the Organization of Petroleum-Exporting Countries. Much less attention, however, has been directed toward the greater problem of worldwide resource depletion with respect to energy supplies in general, and to the probable entrance into the world oil market of a powerful new importer — the Soviet Union.

The participation of the USSR and her East European allies in the global contest for scarce energy resources would add an important consideration to our national security planning. A deteriorating energy situation in the USSR would ultimately not only affect the Soviet Union's domestic and foreign policy objectives and security concerns, it would have significant ramifications on the foreign and defense policies of the major Western powers as well. The manner in which the USSR responds to its intrinsic energy challenges will influence the price and supply of internationally traded energy supplies (particularly oil), the strategic and military posture of the USSR and the course of Soviet-American relations.

The Soviet energy dilemma thus transcends the narrow confines of Soviet domestic politics and directly affects global relationships. In order to assess the full impact of the emerging energy dilemma in the USSR, it is necessary first to review briefly the major developments in the international energy arena in the past five years, and to place the Soviet Union's energy situation in perspective.

International Energy Trends

The politico-economic dislocations emanating from the quantum jump in oil prices imposed in 1973 by OPEC clearly

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demonstrated the dangers inherent in the degree to which the OECD nations had become dependent on imported petroleum to satisfy their energy requirements.[1] The success of the oil embargo, coupled with the fourfold price increase, signaled that the days of cheap energy, the prime mover in the unprecedented period of economic growth enjoyed by the Western nations since 1950, had come to an end. Predictions of a growing shortage of energy supplies indicate that continued increases in the cost of imported petroleum may be expected. OPEC's more militant attitude expressed at the April meeting in Geneva, and signified by the 9 per cent increase in basic prices coupled with a tacit agreement to restrain production, indicates that the "moderates" within OPEC are losing influence.[2]

While the prospect of demand for oil and other energy supplies outrunning production capacities has been generally recognized, somewhat overlooked is the looming constriction in the number of countries capable of exporting significant quantities of crude oil. Several of the major exporters of the 1950-1970 period have been forced to restrict oil sales in order to meet their own growing demand or because of production downturns. Venezuela and Canada, for example, have curtailed deliveries to the United States, and Canada is expected to become heavily dependent itself on foreign suppliers by 1985.

In the future the oil-export market will be dominated by fewer and fewer nations. Expansion of petroleum production within OPEC since 1970 has come primarily from the six Persian Gulf members, Saudi Arabia, Kuwait, Iran, Iraq, Qatar and the United Arab Emirates. Saudi Arabia alone will account for the majority of the incremental expansion in oil exports, while the other Gulf states will take up most of the remaining increases.[3] The political, eco-

[1] The United States depends on foreign suppliers for 47 per cent of its petroleum requirements; Japan, for 99 per cent of its needs; and Western Europe, for 88 per cent. Those three regions now account for 80 per cent of the world's total oil imports. (Hans Schneider, "International Energy Trade: Recent History and Prospects," in *Annual Review of Energy: 1977* [Palo Alto, Calif.: Annual Reviews, 1977], p. 36.) The dependence of Western countries is analyzed in Horst Mendershaushen, "Worldwide Energy Demand and Supply: Medium-Term Forecast," in Congressional Research Service, *Project Interdependence: US and World Energy Outlook Through 1990* (Washington: GPO, November 1977), pp. 659-675.

[2] "The Oil Squeeze," *The Economist* (London), March 31, 1979. For many reasons OPEC was unable to restrain production previously, and real prices for oil actually fell some 7 per cent between 1974 and 1978. If the tight limits put on production hold, oil prices will probably rise dramatically for several more years.

[3] Between 1979 and 1985, increasing world demand and stagnating oil production in the major consuming countries will result in an increased reliance on OPEC oil. See U.S. Department of Energy, Energy Information Administration, *Annual Report to Congress: 1978*, vol. 2, 1977, pp. 63-68, 80-81, for an analysis of projected international trends. Also see the controversial CIA report *The International Energy Situation: Outlook*

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nomic and military ramifications of this growing dependence on one region of the world for oil supplies, particularly on the Arab oil exporters, are cause for concern. As obvious as this may appear, it is surprising that only limited measures have been undertaken to remedy this situation. In fact, between 1973 and 1976 U.S. reliance on Arab oil (as a percentage of imports) more than doubled![4]

In the face of this worldwide diminution of oil supplies and the growing constriction in the number of petroleum exporters, the specter must now be considered of yet another importer — in fact, a bloc of importers — entering the competition for these scarce resources. The USSR is now the third largest exporter of crude oil, but domestic demand is growing and the easily obtainable supplies are rapidly diminishing. The Soviets must locate major new reserves and increase production significantly if they expect to continue simultaneously to satisfy domestic requirements, meet the bulk of the East European demands and export to hard-currency markets in the West. Presumably domestic requirements will receive top priority from government planners, since a failure to meet these needs would cause a severe economic downturn. However, there is considerable pressure to satisfy at least a majority of the bloc countries' requirements in order to maintain an important instrument of political control over Eastern Europe and to prevent severe economic dislocations there. Finally, a sizable portion of the Soviet energy production (about 9 per cent) is needed for export to hard-currency areas, since those sales provide the means by which Moscow can offset its massive purchases of grain and technology.

Soviet Energy in Perspective

The Soviet Union is the only major industrial nation to be self-sufficient in meeting its energy requirements, and it has also become a leading exporter of fuels. The USSR is well endowed with all energy sources and thus is not heavily dependent on any single fuel. By way of comparison, the overall fuel wealth of the United States and the USSR are roughly equivalent. However, the United

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to 1985, ER 77-10240U, April 1977. The CIA study indicates that the Middle Eastern countries, with 60 per cent of the world's known reserves (all economically accessible), will provide virtually all of the incremental exports. The United States receives 46 per cent of its imported oil from the Middle East, and Japan and Western Europe secure 75 per cent of their imported oil from that region. (Rockefeller Foundation, *International Energy Supply: A Perspective from the Industrialized Countries*, May 1978.)

[4] John H. Lichtblau, "World Oil Supply and Demand, 1950-1976 and Forecast to 1990," in *Project Interdependence*, p. 682.

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States consumes about 80 per cent more energy than the Soviet Union and must import more than one-third of its requirements.

Soviet energy production has risen at a steady 5-5.5 per cent rate for the past two decades, and government planners are calling for an average annual growth rate of 5 per cent through 1980. About 85 per cent of the Soviet energy balance is produced for domestic consumption, the remainder going to the export sector (14 per cent) or for additions to stocks. The USSR presently imports only 2 per cent of its energy supply, primarily natural gas from Iran and Afghanistan and coal from Poland.[5]

Until the final decade of the nineteenth century, wood was the chief source of fuel in Russia, but it was quickly surpassed in this century by the phenomenal development of Donets coal and Baku oil. Coal became the primary source of energy in the USSR after the October Revolution, but its commanding lead was erased by the rapid growth of oil (in the 1960s) and gas (in this decade). Peat, wood and hydroelectric sources have accounted for less than 5 per cent of the total balance, and the role of atomic power has been minimal to date, although a rapid expansion of nuclear energy production is anticipated. Other methods of power production, including the harnessing of tidal waves, winds, geothermal energy and underground hot gases, have accounted for a minuscule portion of total energy production.

Soviet planners anticipate the following: nuclear power will play a greater role; the contribution of natural gas in the energy balance will continue to grow; coal will stabilize; and petroleum will drop because of pressing requirements for oil in the export sector and in the manufacture of petroleum products. Energy production by source since 1960 and projected distribution for 1980 and 1990 is shown in Table I.

The Tenth Five-Year Plan (1976-1980) reflects a significant shift to hydroelectric and nuclear plants in the construction of new capacity, with almost 20 per cent of the total investment allocation going to each. Siberia will be the focus of the new plan: the entire increase in oil and gas extraction and more than 90 per cent of the incremental production of coal are slated to come from this region.[6]

[5] Soviet energy imports at present are minimal and account for only 3.6 per cent of total imports. (*Vneshnaia Torgovlia SSSR v 1977: Statisticheskaia Sbornik* [Foreign Trade of the USSR for 1977: Statistical Handbook] [Moscow: "Statistika," 1978], p. 18.) Energy is imported for convenience rather than of necessity, and is used to supply certain outlying areas located closer to the suppliers (e.g., coal from Poland, gas from Iran). Some natural gas is purchased from Iran for transshipment to Western Europe.

[6] "The Plan of the Fourth Year of the Five-Year Plan," *Planovoye Khozyaystvo*

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TABLE 1
SOVIET ENERGY PRODUCTION
(% contribution)

Source	1960	1970	1975	1980*	1990*
Crude Oil†	29	39	43	43	32
Natural Gas	7	18	21	24	32
Coal	51	34	30	27	28
Hydroelectric	1	1	1	1	1
Nuclear	...	...	.5	1	5
Other (peat, wood, etc.)	12	8	5	4	2

* Projected.
† Includes gas condensate.

Sources: Narodnoe Khozyaystvo CCCP za 60 Let [1977] (Moscow: 1978), pp. 204-206; Iain F. Elliot, *The Soviet Energy Balance: Natural Gas, Other Fossil Fuels, and Alternative Power Sources* (New York: Praeger, 1974), pp. 8-11; Emily E. Jack, J. Richard Lee and Harold H. Lent, "Outlook for Soviet Energy," in Joint Economic Committee of the U.S. Congress, *The Soviet Economy in a New Perspective* (Washington: GPO, October 14, 1976), pp. 468-469; CIA, *Soviet Long-Range Energy Forecasts* (September 1975), p. 2; and "Power Engineering During the Ninth Five-Year Plan and the Tasks for 1976," *Elektricheskiye Stantsii*, no. 1, January 1976, pp. 2-6 (JPRS trans. L/5785, March 25, 1976).

The Supply Factor: Resource-Availability Reductions

As the geographic focus of the current five-year plan illustrates, the availability of easily extracted resources located in the western part of the USSR is rapidly diminishing. While the potential resource base of the Soviet Union is undeniably extensive, those resources that will have to be exploited in the future are concentrated in the generally remote and inhospitable areas of Siberia and Central Asia. Not only does this raise technical problems that the Soviet Union may not be able to solve, it creates a growing disjunction between the location of fuel reserves and major areas of consumption. Seventy-five per cent of the Soviet population and 80 per cent of its industry are located in the European part of the USSR, but at least 80 per cent of the energy resources are located in Siberia.[7]

[Planned Economy], pp. 38-44 (JPRS trans. 072896, February 1979, p. 4). Also see Alan B. Smith, "Soviet Dependence on Siberian Resource Development," in Joint Economic Committee of the U.S. Congress, *The Soviet Economy in a New Perspective* (Washington: GPO, 1976), p. 480.

[7] P. S. Neporozhniy, "Power Engineers Day," *Elektricheskiye Stansii* [Electrical Stations], no. 12, December 1978, pp. 2-5. Neporozhniy's solution to this disjunction lies in the possibilities offered by long-distance transmission of electricity through a unified national grid. For a Western analysis, see David Hooson, *The Soviet Union: Peoples and Regions* (Belmont, Calif.: Wadsworth, 1968), p. 81.

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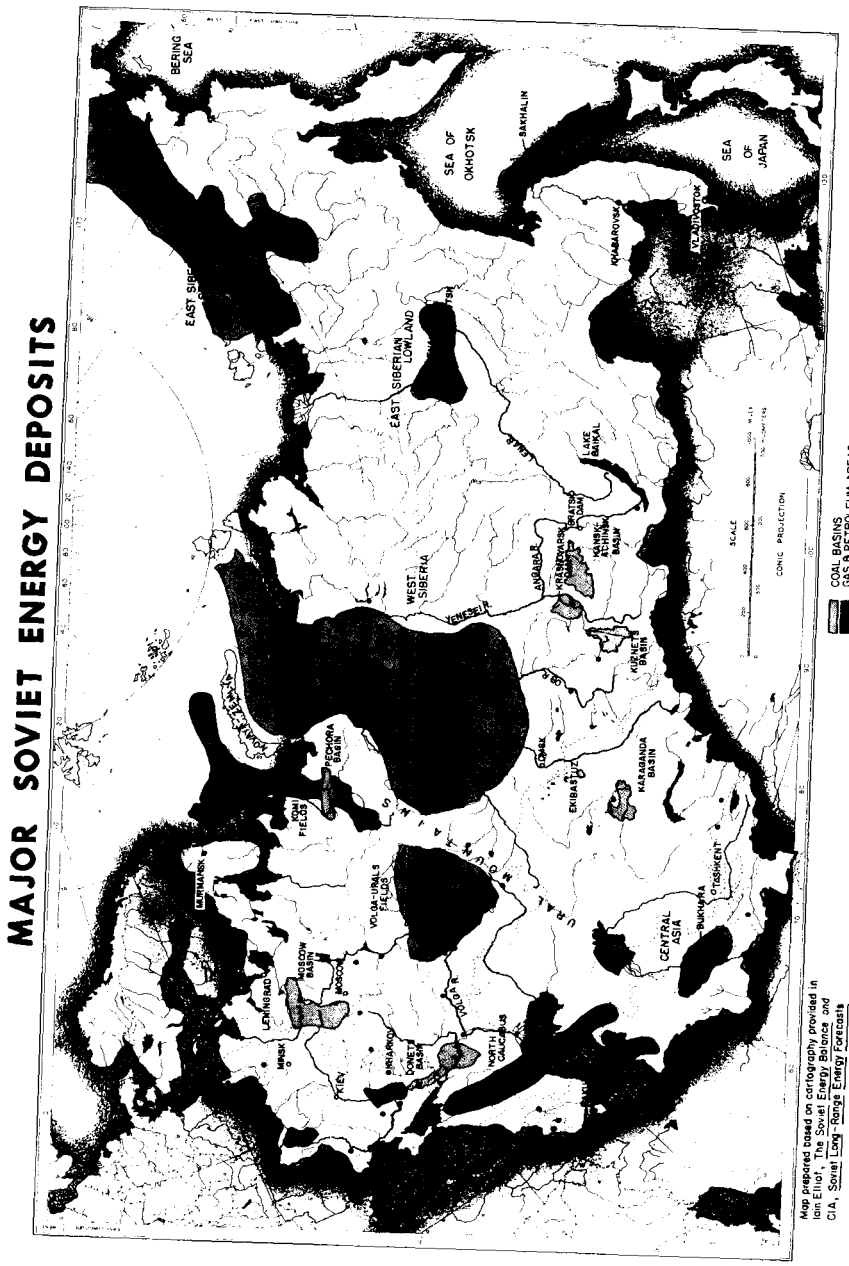

The distance between the areas of demand and the location of reserves imposes severe transportation costs on fuels. (This is what geographers call a spatial-location problem.) In addi-

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tion, extraction is expensive in the resource-rich regions, for the climate, terrain and working conditions are extremely inhospitable. Most of the area falls into the permafrost zone, where the ground may be frozen up to a mile deep and where temperatures often drop to −90°F, buffeted by 100-mph winds. Thus, much of the energy potential is inaccessible under current technology. That which can be extracted or harnessed must be shipped in some form, but there are simply no convenient east-west waterways in the USSR — all the rivers flow the "wrong way." Oil often moves over distances of more than 2,000 miles before utilization, and the same holds true for gas and coal.[8]

There is a remarkable similarity among the various sources of energy with respect to availability, location and the difficulties in extraction. A more intensive examination of the Soviet Union's energy resources will illustrate these problems.

Oil

Prior to the Bolshevik Revolution in 1917, Russia was one of the leading oil producers in the world, with the Baku fields alone producing over half the world's output in 1900. Oil production dropped sharply, however, in the turmoil following the revolution and did not regain prominence until after Stalin's death. During the 1960s, production began to shift eastward, the most impressive gains coming from the Volga-Urals region. Soviet oil production jumped from 2.9 million barrels daily (MBD) in 1960 to 10.9 in 1977, when the USSR overtook the United States as the world's leading oil producer. Of particular importance during this period was the supergiant Romashkino field, which accounted for almost 40 per cent of the region's output by 1976. Production has continued to move eastward today as the prolific fields of the European part of the USSR have declined.

In the past few years West Siberia (in particular, the Samotlor fields, accounting for 60 per cent of the region's output) has been the focus of Soviet efforts. Two-thirds of the incremental increase for the Ninth Five-Year Plan (1971-1975) was extracted from West Siberia, and the entire increase in the current plan (1976-

[8] Arthur Jay Klinghoffer notes that about 40 per cent of Soviet oil is still transported by railroad, which is three times more expensive than pipeline transport. (*The Soviet Union & International Oil Politics* [New York: Columbia University Press, 1977], p. 53.) Coal accounts for one-sixth of total railway ton-mileage in the USSR according to the *Narodnoe Khozyaystvo CCCP za 60 Let [1977]* (Moscow: 1978), p. 392.

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1980) will be produced east of the Urals.[9] It appears that the Soviets anticipate that more than two-thirds of their total production in 1980 will come from West Siberia. In view of the probable exhaustion of existing fields, this may be an optimistic planning figure, unless new finds are made or technological breakthroughs are achieved.[10] Western experts have indicated that Samotlor will reach peak production this year and will probably hold that level for no more than four years. Although some Soviet commentators have voiced expectations of steady production for seven years, no new supergiant field comparable to Romashkino has been located.

Soviet drilling techniques have traditionally concentrated on the development of existing structures, rather than on the identification of new reserves. Although resource potential is high, considerable drilling will be required to convert new areas from hypothetical to productive status. Soviet reservoir-management techniques have utilized high-pressure water injection to speed recovery, but in some instances the water has simply bypassed the oil and broken through to the well, leaving large deposits of water with the remaining oil.[11]

[9] The following table shows Soviet oil production (MBD) by region from 1960 through 1977:

Region	*1960*	*1965*	*1970*	*1975*	*1977*
Urals-Volga	2.1	3.5	4.2	4.5	4.3
Caucasus	0.6	0.8	1.1	0.8	0.7
West Siberia	negligible	negligible	0.6	3.0	4.3
Central Asia	0.1	0.3	0.6	0.8	0.8
Other	0.1	0.3	0.6	0.7	0.8
TOTAL	2.9	4.9	7.1	9.8	10.9

Source: CIA, *International Energy Statistical Review*, June 14, 1978.

[10] *Oil and Gas Journal* noted that "oil-output expansion rests on a narrow, perhaps shaky, base. If West Siberia fails to achieve future goals, there would almost certainly be a shortfall for the entire nation." ("Soviet Oil Flow Up, but Signs of Trouble Multiply," January 17, 1977, p. 17.) The article, in assessing the prospects for the future, concludes that the most discouraging aspect of the Soviet oil picture "is the Soviet failure to explore and develop any significant production in the vast expanse of central and Eastern Siberia." (p. 20.) As in the United States, most of the "easy oil" has already been tapped. A controversial analysis of Soviet oil production in the future is given in the CIA's report *Prospects for Soviet Oil Production*, April 1977. An interesting overview of the difficult conditions encountered in extracting fuel in West Siberia is given in a *Kommunist* (no. 8, May 1978) article, "North of Tyumen" (FBIS trans., July 7, 1978). Among the data provided, for example, is that from June to September "there are up to 120 kilograms of blood-sucking insects per hectare" in the Urengoy area. Asked about the climate, the locals usually respond: "Twelve months of winter, the rest is summer."

[11] J. Richard Lee examines problems in Soviet oil production in "The Soviet Petroleum Industry: Promises and Prospects," in Joint Economic Committee of the U.S. Congress, *Soviet Economic Prospects for the Seventies* (Washington: GPO, 1973), esp. p. 284. "Wildcatting" is rare in the USSR, perhaps owing to the absence of independent oil and gas drillers. The lack of emphasis on the identification of new reserves has to do with incentives: Soviet drillers are paid by the meter drilled, not by subsequent production. Undoubtedly, there are major reserves in the Soviet Union that have not yet been located.

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Although these conclusions are somewhat speculative, decisions announced at the December 1977 Party Plenum to move labor and equipment on a priority basis to West Siberia from other parts of the USSR indicate a growing Soviet realization of serious oil-production problems. An article that appeared in *Pravda* in 1978 emphasized the mounting difficulties in extracting fuel in West Siberia. Acknowledging that the plan for this region will not be met, the author laid the blame on a lack of drilling equipment, tools, housing and especially on the lack of coordination between the Ministry of Petroleum Industry and other ministries.[12]

The Soviets have a number of promising areas that might contain large amounts of oil resources, and East Siberia, the Arctic Seas and the Pacific coast may have significant hydrocarbon deposits. But about half of the USSR's reserves are located in the permafrost areas, where exploitation is difficult and costly, and much of the rest is offshore. In sum, all the locales are distant from the European part of the USSR, the major domestic demand center; climatic conditions are invariably harsh; infrastructure is virtually non-existent; and most new areas will require technology and equipment which the Soviets are as yet unable to produce in sufficient quality and quantity. Although the Soviets have conducted limited drilling in the shallow waters of the Caspian Sea, they have achieved little success in deep offshore drilling. In general, Soviet technology is proving inadequate for the tasks at hand. To meet anticipated requirements for deep-drilling equipment (below 10,000 feet), seismic tools, sophisticated geophysical apparatuses, offshore rigs and, increasingly, for large-diameter pipelines needed to connect the fields with the areas of consumption, the USSR is turning to the West for assistance.[13]

[12] The chairman of the USSR State Planning Commission (*Gosplan*), N. K. Baybakov, recently reported that oil output is lagging behind planning targets. The 1978 production figure of 572 million tons is off the mark by 3 million, and the projected 1979 output of 593 million will probably be insufficient to reach the original 1980 goal of 640 million tons (12.8 MBD). The revised target of 620 is more realistic. (See Baybakov's report "On the State Plan for the Economic and Social Development of the USSR in 1979 and the Course of Fulfillment of the State Plan for the Economic and Social Development of the USSR in 1978," *Pravda,* November 30, 1978.) For Baybakov's survey of the Tenth Five-Year Plan's goals, see "On the 1976-1980 USSR State 5-Year National Economic Development Plan, *ibid.*, October 28, 1976 (trans. in FBIS, *Daily Report* [Soviet Union], November 12, 1976). For a Soviet assessment of the petroleum industry's accomplishments during this plan period, see "Development of the Oil Industry," *Ekonomicheskaya Gazeta* [Economic Journal], no. 4, January 1979. The article notes that major difficulties will be encountered in mastering production in distant areas and in transporting the oil over great distances.

[13] The Soviet rig park is insufficient to conduct an extensive drilling program in new areas without neglecting near-term development necessary for continued increases in production. Critical to Soviet success, therefore, will be the assistance, technical and financial, that might be forthcoming from the West, particularly from the United States.

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Even with sufficient technology and capital investment, lead-times will be long, and from ten to fifteen years will be required to develop substantial new production from frontier regions. Thus the near-term outlook for Soviet oil production is cloudy at best, with the European fields nearing exhaustion, the West Siberian areas beginning to decline by the mid-1980s, and the lack of promising new fields to take up the shortfall. Further, the increasing technical, logistical and economic problems associated with new oil production are likely to initiate an acceleration in the cost of oil within the Soviet economy.

Gas

Natural gas has risen in importance faster than any other source in the Soviet fuel balance. Production rose from 5.8 billion cubic meters (bm^3), in 1950, to 45.3 bm^3 in 1960 and 197.9 bm^3 in 1970. Average annual growth rates registered 16 per cent in the sixties and 8 per cent since 1970. Although natural gas production rose impressively, output had consistently fallen below planning figures. The 1975 total of 289 bm^3 was some 10 per cent below target levels. However, the Soviets have had greater success in fulfilling the more realistic goals of the current five-year plan, and it appears that the 1980 target of 435 bm^3 will be met.[14]

The geographic distribution of gas production, much like that of oil, is shifting eastward, and many of the same problems plaguing petroleum producers will face the gas industry. Together, the Ukraine and Volga-Urals regions accounted for 45 per cent of gas production in 1970, but output in those areas has begun to decline. Production in the North Caucasus, which accounted for 20 per cent in 1970, has dropped by 40 per cent in just seven years. The burden of increasing Soviet gas output is now on West Siberia, where output has risen dramatically in this decade. West Siberia, of which the Tyumen fields (especially the supergiant Urengoy) are the heart, will account for more than one-third of the total gas output in 1979, tripling production in just five years.[15] Most of the rest will come from Central Asia and Kazakhstan.

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[14] Herbert Block, "Energy Syndrome, Soviet Version", in *Annual Review of Energy: 1977*, p. 486. For a Soviet assessment of progress to date in the current plan period, see two articles appearing in *Ekonomicheskaya Gazeta* no. 3, January 1979: "Development of the Natural Gas Industry" and "The Development of the Natural Gas Industry: A Survey."

[15] "Development of the Natural Gas Industry," p. 1. Siberian gas production has experienced an annual average rise of almost 35 per cent. The following table illustrates regional production (trillions of cubic feet) over the past two decades:

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With the depletion of the older, easily accessible fields in the western USSR, the Soviets will have urgent requirements for deep-drilling and production equipment and large-diameter pipelines and ancillary equipment, such as compressors and gas transports to connect these fields to the centers of consumption. Robert Campbell has indicated that gas transport is in need of complete technical overhaul, and will require massive imports from the West or extensive capital investments.[16] This technical lag will strain gas production and hamper Soviet efforts to harness their vast reserves. Some estimates place these reserves as high as 100 trillion cubic meters, but much of this must be considered virtually inaccessible or at least not economically exploitable.

As Soviet gas production shifts eastward, infrastructure requirements and costs will increase rapidly. To overcome technological problems and to secure the initial capital outlays required to exploit the Siberian gas fields, Soviet officials have proposed that U.S. (and Japanese) firms invest and cooperate in developing Siberian gas deposits, receiving in return long-term deliveries of liquefied natural gas. But as John Hardt has indicated, this enterprise is "fraught with technological difficulties and problems of cost and capital scarcity," and is intimately linked with political issues.[17] If Western capital and know-how are not forthcoming, the Soviets are likely to experience further shortfalls in anticipated gas production, with a concurrent negative impact on the growth rate of the economy as a whole. With or without Western assistance, a reduction in the growth rate of gas production can be anticipated, coupled with rapid increases in the production costs associated with natural gas.

Region	*1960*	*1965*	*1970*	*1975*	*1977*
Ukraine	0.5	1.4	2.2	2.4	2.3
North Caucasus	0.5	1.4	1.4	0.8	0.8
Komi	negligible	negligible	0.2	0.7	0.7
Azerbaijan	0.2	0.2	0.2	0.4	0.4
Central Asia	negligible	0.6	1.7	3.4	3.9
West Siberia	negligible	negligible	0.3	1.3	2.5
Urals-Volga & Other	0.4	0.8	1.0	1.3	1.3
TOTAL	1.6	4.4	7.0	10.3	11.9

Sources: Jonathan P. Stern, *Soviet Natural Gas Exports to 1990* (1978); CIA, *International Energy Statistical Review*, June 14, 1978.

[16] Robert Campbell, "R&D in the 10th Five-Year Plan," in *The Soviet Economy in a New Perspective*, p. 101. The existing network is confined largely to European Russia and a trunk system to West Siberia, but extensive lines are planned for the future. In order to accomplish planned transport of gas, the Soviets have to lay pipe the length of our Alaskan oil pipeline every two months!

[17] John P. Hardt, "West Siberia: The Quest for Energy," *Problems of Communism*, May-June 1973, p. 27. Eight of the largest gas deposits are found in Tyumen province in West Siberia where permafrost covers the area to depths greater than 1,000 feet.

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Coal

Abundant and widespread coal resources served as the basis for the early industrialization of the USSR, and still provide about 28 per cent of Soviet energy needs. The largest coal basins under current production are the Donets Basin in the Eastern Ukraine and the Kuznets Basin in West Siberia, with other deposits located near Moscow, the Urals, Karaganda and Kansk-Achinsk. The Soviet coal industry, however, is facing problems similar to those encountered by the oil and gas industries. As European resources are depleted, new coal production must come from Siberia, involving difficult logistical and climatic conditions and expensive long-distance transportation to centers of demand. The Soviet economist N. N. Nekrasov[18] claims that Soviet coal reserves are close to 6.7 trillion tons, but about three-quarters of those reserves are located in inaccessible and remote regions east of the Urals. A great portion is low-quality lignite coal, which requires the mining, and in some instances the transportation, of large volumes of coal with rather little heat content.

Soviet coal production has been increasing slowly relative to other energy sources. Production rose from 578 million tons in 1965 to 722 million tons in 1977, an average annual increase of only 2 per cent. The current five-year plan calls for production of 805 million tons in 1980, with virtually the entire increment to come from east of the Urals. Even this modest target, however, will not be fulfilled.[19]

The Soviet leadership has expressed optimism over the future role of coal in the Soviet energy balance. One spokesman claims that increased production will come about not only by locating new deposits or tapping virgin areas, but by intensive re-equipping and refurbishing of existing operations.[20] The basis for this optimism, however, is questionable. The Soviet coal industry

[18] "Energetics and Natural Resources," paper presented at an international economics conference in Vienna, November 1974, p. 16.

[19] *Izvestiya*, the official government newspaper, announced that the planned targets for both oil and gas had been fulfilled in 1978, but that coal was only 99 per cent accomplished. ("Growth of the Soviet Economy," January 20, 1979.) The 1978 figure was 724 million tons, a modest increase over the 722.1 tons mined in 1977. The 1979 goal of 752.3 tons appears quite optimistic. More than one-third of the mining will be done by "the economical open-pit method," according to an *Ekonomicheskaya Gazeta* survey of coal production in the current plan period. ("Development of the Coal Industry," no. 5, January 1979, p. 1.) The largest single increase from any field this year will be 11.1 million tons from the Donbass, but the Kuzbass and the Ekibastuz fields will increase by 10 million and 7.5 million tons, respectively.

[20] Baybakov, "On the 1976-1980 USSR State 5-Year National Economic Development Plan," p. 9.

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continues to face shortages of skilled labor and, like its oil and gas counterparts, faces worsening transportation problems. Official policy has been to keep the transport of coal to a minimum, concentrating instead on locating processing plants close to coal deposits. However, a significant portion of total railway ton-mileage is still accounted for by coal.[21]

The Soviets may be able to overcome some of these problems, either through a major technological innovation or through massive capital investments.[22] But such developments are long-term solutions. In the near and the medium term, the marginal cost of coal in the Soviet Union will be very high, and production is likely to continue to rise only at roughly its current, uninspiring rate.

Hydroelectric

Hydroelectric power has long been viewed by the Soviets as a source of endless amounts of cheap electricity. This power source seemed to offer several advantages: high efficiency, low operating costs and no need to transport fuel to the power station. Early Soviet planners, following Marxist theory, did not account properly for the heavy initial capital outlays required or for the long lead-time between investment and ultimate cost savings. Often overlooked, also, were the difficulties involved in transporting the electricity to consumers and the often remote locations of Soviet hydroelectric potential.[23]

[21] Robert Campbell has noted the Soviet reliance on low-grade solid fuels, including peat, shale and firewood, as well as lignite. One problem with this heavy dependence on low-quality solid fuel is the high cost of producing, transporting and using it. (See Campbell, *Soviet Energy Balances* [Santa Monica, Calif.: Rand, report no. R-2257-DOE, prepared for the U.S. Department of Energy, December 1978], p. 12.) An intensive program was launched in the sixties to exploit local fuel resources fully, generally by constructing large power stations at the coal fields and encouraging the immigration of power-intensive industries to those sites. Soviet officials now hope to restrict the shipment of coal to semicoke or hard coal sent to the western part of the country, burning the cheap brown coals near the extraction sites for local use or for the production of electricity. Open-cut mining will receive preference in the current plan. For example, cheap coal produced by strip mining will fuel a large complex of thermal power plants to be built in the Kansk-Achinsk area that will provide energy for new industrial complexes and for the production of electricity which will in turn be transmitted to energy-deficient areas.

[22] The *Oil & Gas Journal* "Newsletter" for March 19, 1979, reports Soviet interest in coal gasification driven by the use of "highly concentrated energy sources" such as "laser or electronic guns."

[23] John Hardt, "Investment Policy in the Soviet Electric-Power Industry," in Gregory Grossman, ed., *Value and Plan: Economic Calculation and Organization in Eastern Europe* (Berkeley: University of California Press, 1960), p. 102. For a case study in the failure to assign an appropriate value to capital in the construction of these hydroelectric plants, see Robert Campbell, *Soviet Economic Power* (Boston: Houghton Mifflin, 1966), pp. 55-59.

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In the 1950s and 1960s, the Soviets planned to use the immense hydropower of Siberia as the nexus of huge industrial complexes. The results thus far have been disappointing to Soviet planners, largely because of their inability to attract sufficient numbers of skilled laborers to the area. Giant dams were constructed in Siberia well before industrial and personnel requirements were in place, with the result that an abundance of "cheap" power was left idle.

The potential waterpower resources of the Soviet Union are tremendous, perhaps 12 per cent of the world's total. More than half of Soviet resources, however, are located north of 60° latitude, in areas of permafrost and irregular river runoff. More than 80 per cent of the remaining potential is located in nonindustrial areas of Soviet Asia. In the European part of the Soviet Union, the rivers often have such low gradients that structures miles long must be built. Further, the total potential of rivers west of the Urals has been almost completely developed. Further exploitation of this resource will take place deep in Siberia and will involve some of the world's largest, and probably most expensive, hydroelectric stations, such as the 4,100-Mw Bratsk Dam on the Angara and the 6,000-Mw Krasnoyarsk plant on the Yenisei.[24]

Soviet projections are optimistic, one observer claiming that hydroelectric power could account for up to 25 per cent of future Soviet electrical generating capacity.[25] Most Western observers doubt these claims, and Leslie Dienes speculates that no more than 10 per cent of Soviet electrical generating capacity will be hydroelectric by 1990.[26]

Nuclear Energy

The Soviets have been slow to develop their nuclear energy program even though the USSR produced the world's first successful nuclear power plant, the Obninsk Atomic Energy Station, in 1954. Nuclear energy in the USSR produces only about one-tenth

[24] Under construction is another giant hydroelectric plant, the Sayano-Shushenskaya GES, slated to produce a capacity of 6.4-million kw. These are impressive achievements, but the United States produces 2.7 times as much hydroelectric power annually as the USSR! For a more optimistic discussion, see P. Falaleyev, "A Dream Personified," *Leningradskaya Pravda*, October 11, 1975, p. 2 (trans. in JPRS no. 8524 [CSO: 1822]).

[25] See the article by the Soviet power specialist N. A. Karaulov, "Hydropower Resources and Their Use," in I. B. Gerasimov *et al.*, *Natural Resources of the Soviet Union: Their Use and Renewal* (San Francisco: W. H. Freeman, 1971), p. 41. Karaulov's essay is a very interesting defense of the role of waterpower in the future development of the energy balance in the USSR.

[26] Leslie Dienes, "The Soviet Union: An Energy Crunch Ahead?," *Problems of Communism*, September-October 1977, p. 43.

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of U.S. output, and accounts for less than 1 per cent of total Soviet energy production.

Soviet reluctance to move in this direction earlier was an outgrowth of the seeming abundance of the cheap hydrocarbon and water potential in the country. But with the exhaustion of easily obtained resources and the rising costs associated with Siberian power production, atomic energy has become an attractive alternative. Uranium production is shrouded in secrecy, but most Western analysts believe the Soviets possess considerable reserves. Technical progress on the fast-breeder reactor also probably persuaded the Soviets of the feasibility of a rapid increase in nuclear power production. The Shevchenko Atomic Energy Station is the first plant in the USSR to use the fast-neutron, sodium-cooled reactors.[27]

Atomic energy production will probably multiply at least threefold by 1980, and Professor Nekrasov optimistically forecasted that the weight of nuclear installations in the balance of the Soviet Union's generating capacity will reach 30-35 per cent by the end of this century.[28] Piotr Neporozhnyy, the minister of power and electrification, predicts that the combined capacity of atomic power plants will grow "15-20 times" between 1970 and 1981, and claims that nuclear energy will provide one-half of all electrical energy produced "in the distant perspective."[29] Most Western analysts anticipate a great increase in atomic energy production in the future, but are still much more pessimistic than the Soviet analysts. Soviet nuclear construction has experienced many of the same delays that have plagued the United States and other countries. The primary constraint appears to be the Soviet ability to produce the necessary components in sufficient quantity. The current five-year-plan target of 18.5 Gw by 1980 is likely to be underfulfilled by at least 3 Gw.[30]

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[27] While the Soviets have traditionally been close-mouthed regarding their nuclear energy program, an interesting and revealing volume is available, entitled *Atomnoi Energetike — XX Let* [Atomic Energy — 20 Years], written by an editorial group under the chairmanship of U. D. Morokov (Moscow: 1974).

[28] Nekrasov, "Energetics and Natural Resources," p. 20.

[29] Neporozhnyy, ed., *Elektrifikatsiya SSSR* [Electrification of the USSR] (Moscow: Izdatel'stvo "Energiya," 1970), pp. 78, 87. Neporozhnyy recently indicated that beginning in 1980 the objective will be to achieve the entire growth in the generation of electric power in the European USSR through nuclear plants. ("Power Engineers Day," p. 4.)

[30] The Soviet Union has only twenty-two nuclear power plants in operation according to a *Nuclear News* report, "World List of Nuclear Power Plants," February 1979, pp. 59-77. The primary impediment to the proposed expansion of the Soviet nuclear power industry is that nuclear machine building will not be adequate, certainly not sufficient to meet the planned fourfold increase of electrical power production by nuclear generating plants between 1976 and 1980. The first section of the Soviet atomic power equipment plant (the Atommash) is now in commission near Rostov, where reactors with a 1-million kw capacity will eventually be produced. Full operation, however, will not begin before 1981. Bruce Everett, of the U.S. Department of Energy, has

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With the completion of the new Atommash plant in the mid-1980s, part of this problem may be alleviated. Nevertheless, even with impressive percentage gains in nuclear energy production, at least ten years will be required for nuclear energy to become a major factor in the Soviet energy balance.

Solving the Spatial-Location Problem

The eastward movement of Soviet oil, gas and coal production during the next decade will impose a substantial increase in energy costs in the USSR. The change is somewhat analogous to the replacement of U.S. oil production in Texas by new production on the Alaskan North Slope. Although much of the cost overrun associated with the construction of the Alaskan pipeline was caused by legislative delays and strict environmental requirements (which are not significant problems for Soviet planners), the cost, lead-times and other difficulties associated with the construction of a single 800-mile pipline in the United States provides a glimpse of the seriousness of the problems now faced by the Soviet Union.

The Soviet government has conducted extensive efforts over the years to compensate for this imbalance between energy resources and consumption requirements. Four approaches to this problem are under way with varying levels of intensity and success:

(1) *Relocation of energy-intensive industries to Siberia to take advantage of the low cost of consuming energy close to its source:* Despite extensive investment, however, attempts to promote "territorial production complexes" have not been particularly successful. Initial construction expenses have been heavy, lengthy delays between planning and ultimate project completion have been too frequent and, in spite of earnest recruiting campaigns, there is still a shortage of skilled labor. Labor productivity in Siberia trails the national average, and the costs of producing Siberian fuels have often exceeded planned figures.[31]

The Soviets have expended large sums on deep Siberian development, but thus far only a nascent infrastructure for the future extraction and distribution of resources has been developed. Despite the economic and development problems, the Soviets have decided that a full-scale assault on Siberian resources is warranted and necessary. With the produc-

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calculated that the three atomic equipment plants in the Soviet bloc (one is in Czechoslovakia) will not reach full capacity until the mid-1980s. With only the Izhora plant now producing, it appears, according to Everett, that the 1980 goal of 18 Gw will be missed by a long shot — perhaps only 10 Gw will be reached. According to Everett's projections, it appears that Nekrasov's expectations for nuclear-generation capacity in 1990 will be unfulfilled by about one-third.

[31] For an interesting review of the difficulties in attracting skilled labor to Siberia and the "cost overruns" experienced there, see Craig Whitney, "Siberia Is a Place for Roughing It, and Getting Rich Quick," *New York Times*, April 14, 1979.

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tion of energy in the western part of the country beginning to decline, Soviet planners see no alternative.

(2) *Improvement of the transportation network in Siberia to move energy to demand centers:* The Soviets have been attempting to improve basic transportation systems by, for example, the construction of the new Baykal-Amur Railway or the complete electrification of the existing Trans-Siberian Railway. Although these new systems may eventually have a significant impact on Soviet ability to develop industry in the area and to move necessary equipment into and out of energy-producing regions, infrastructure development in Siberia will be a long-term process involving massive investment. In addition, railroad and truck lines are not economical methods for the long-distance transport of fuels.

As mentioned earlier, the Soviets will have to build enormous pipeline systems to move oil and gas west. The Soviet metallurgical industry has not been able to produce sufficient quantity and quality of tubular goods, nor the ancillary equipment needed to construct large pipeline systems. As a result, the Soviets have been forced to turn to Eastern Europe and the West for both. One method of financing such purchases has been the direct barter of natural gas for pipe with West European countries. Similar arrangements have been proffered to the United States to entice American involvement in Siberian energy exploitation.

(3) *Conversion of Siberian fuels into electricity for direct transmission to major demand centers:* Soviet planners have devoted special attention for a number of years to the problem of long-distance electricity transmission. The idea of a unified power grid with a comprehensive network of long-distance transmission lines that would permit a rapid and economic "energy transfer" is intuitively appealing.

The Soviets have started this process by experimenting with extra-high-voltage a.c. and d.c. lines. A prototype 750-kv a.c. line is in operation near Moscow, another 800-kv d.c. line runs between Volgograd and the Donets Basin, and the Soviets are planning a 1,500-kv d.c. line from the Ekibastuz Coal Basin to Tambov in the European USSR.[32]

Despite these initial efforts, the Soviets have not devised an economically feasible technology that can move electricity great distances. The economic costs associated with large energy losses in long-distance transmission continue to frustrate the Soviet dream of an inexpensive and efficient method of transporting Siberian resources. Soviet officials themselves seem less euphoric regarding the benefits of a unified grid system than they did a few years back. Tremendous capital outlays have been required for the system, and the electricity at the terminal is very expensive. The existing national electricity network is due to be fully integrated into a

[32] The Soviets have ten unified electrical grid systems now in operation, the largest being the unified European grid. Last year the European and Siberian systems were connected as part of the eventual all-Union power grid. Neporozhnyy extols the benefits of having a "high-capacity inter-system connection controlled from a supervisory center" ("Power Engineers Day," p. 4), but the Soviets are far from having a unified grid that can produce electricity in East Siberia for use in Moscow. A good review of Soviet electrical development is provided in Francis M. Leveredge, "Plan GOELRO and Soviet Electrical Power Development," *Soviet Union/Union Sovietique*, vol. 4, pt. 2, 1977.

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unified grid by 1980, but the evolution of the unified grid into a low-cost system for transporting Siberian energy production is not an immediate prospect.

(4) *Infusion of Western capital and technology:* Most observers of the Soviet energy situation agree that Western technology could have a major impact on the rate of Siberian resource development. The Soviets themselves have recognized this potential and have negotiated several major agreements with Japan for the development (and subsequent export) of coal and lumber in East Siberia. In addition, the Soviets have undertaken with a consortium of American and Japanese companies the exploration phase of the Yakutsk natural gas project. If sufficient gas reserves are proven, the partners may proceed with the development phase, with a portion of the output going to Japan and the U.S. West Coast. Another U.S. consortium has been discussing the possibility of exporting West Siberian gas to Europe and the U.S. East Coast. Successful shipment of the gas, in a liquefied or gaseous state, would require considerable Western investment. Finally, a Japanese group, with some participation by a U.S. oil company, is working with the Soviets to develop oil resources off Sakhalin Island in the Pacific.[33]

Despite this activity, Western involvement in Soviet energy production has been limited by —

Soviet ambivalence regarding the export of Siberian fuels and about the political and national security implications of a growing Western presence in Siberia;

Japanese concern over the political implications of a close economic relationship with the USSR, and a strong Japanese interest in a major U.S. (preferably government) involvement in these projects; and

U.S. government unwillingness to become involved in this process either by encouraging or discouraging Siberian energy projects. The White House has refused to give a political blessing to these projects, and Congress has denied Export-Import Bank financing for such ventures.[34]

Consequently, hesitation and long delays have made the future of the two natural gas projects, as well as most new energy projects, uncertain.

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[33] At one time the Soviets discussed the sale of Siberian oil to Japan in return for Japanese participation in the construction of a rail line to carry the oil to the Pacific by tank car. This Soviet proposal generated no enthusiasm among the Japanese, probably because of the inordinate capital and operating costs of such a system. See Klinghoffer, *The Soviet Union and International Oil Politics*, pp. 260-261.

[34] While there seems to be an absence of a coordinated U.S. trade policy toward the Soviets, there are, at present, a number of restrictions. These include the allied COCOM controls prohibiting the sale of products having military utility; the Stevenson Amendment, which places a $40-million limit on energy-related development assisted by the Export-Import Bank; the Jackson-Vanik Trade Reform Act, which ties increases in outstanding Soviet debt to Moscow's emigration policies, the withholding of MFN treatment, and presidential authority to review export sales on national security grounds.

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The Demand Factor: Security Implications

Our examination of the vexing spatial-location problem has illustrated many of the difficulties the Soviets must anticipate in the extraction, transportation and production of energy from Siberian sources. In the face of these emerging supply constraints, demand for Soviet energy is accelerating, driven by domestic requirements, by the politico-economic imperative to satisfy a hefty portion of Eastern Europe's needs and by the need to export in order to obtain hard currency.

Soviet Energy Consumption

The growth of energy consumption in the USSR has slowed considerably from annual average increases of 10 per cent in the postwar recovery years to a rate of about 5.5 per cent in the mid-1970s. Annual increases in consumption will probably fall below 4 per cent by the end of the next decade as overall economic growth levels off. Energy consumption has paralleled the rate of growth of the industrial sector, and future trends will likely continue to mirror industrial patterns.[35]

Soviet leaders, obviously aware of the impending energy crunch, have placed considerable stress on the implementation of conservation measures to effect some savings.[36] The government can reduce energy consumption in low-priority sectors without seriously impinging on overall economic activity. While the Kremlin is able to implement policies without the complex interplay of public and private forces found in the industrial democracies, it does not have available the extent of discretionary personal energy consumption (e.g., the transportation sector in the United States) that has become a lucrative target for savings here.

Conservation in the industrial sector will be quite difficult. Soviet industry was built on cheap energy, and a shift to less energy-intensive patterns would involve major adjustments. This could be effected by reducing the energy inputs per unit output, by changing the mix of heavy and light industrial goods produced in

[35] Projections of future Soviet energy consumption patterns are complicated by poor data, lack of Soviet experience with high energy prices and the range of options available to the leadership to respond to the challenge. Soviet industrial growth is heavily energy-dependent, and future industrial expansion will be tied closely to energy production.

[36] See, for example, P. Falaleyev, the USSR deputy minister of power and electrification, who writes in *Izvestiya*, September 10, 1978, that rates of electricity consumption are growing faster than increases in production. Citing Brezhnev's speech at the Twenty-fifth CPSU Party Congress, he urges increased attention to more rational use of resources and means to effect fuel savings.

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the economy, or by shifting the plan's emphasis away from reliance on industrial growth toward growth in less energy-intensive sectors, such as services. Given the conservatism of the Soviet leadership and the refusal to make radical structural changes in the economy previously, these shifts are unlikely.

In view of the expected modest return from conservation, domestic energy requirements are likely to rise 40 per cent in 1976-1985 and another 23 per cent by 1990. Energy-usage levels below these figures would imply negative economic growth. While a 4 per cent rate of growth in energy output through 1990 would at least be adequate to meet domestic requirements, this rate of growth will probably not be met. One pessimistic forecast indicated that the overall energy-growth rate could fall to as low as 1 per cent in the early 1980s.[37]

Since overall economic growth is closely tied to energy output, a drop in the energy-production growth rate will retard severely the overall economy. If conservation measures can effect savings no greater than anticipated, and no structural modifications to the economy are instituted, then it would seem that some rather draconian rationing measures will have to be undertaken simply to insure the flow of supplies to critical sectors.

The domestic impact of the energy crunch is not limited simply to a reduction of available supplies. A decrease in overall energy production will curtail the amount of fuels available for export. Energy sales, principally of petroleum products, to hard-currency areas account for a significant portion of Soviet foreign-exchange earnings. To cut back on those sales would reduce the Soviet Union's ability to purchase grain from abroad and to obtain technology that is essential for economic growth.[38]

Since the purchase of grain is badly needed to take care of the shortfall between what the USSR can harvest and what it requires, it would be difficult to restrict these imports. Living standards in the USSR are currently lagging behind not only those of the West but of many of the East European countries as well, and the regime has made the rise of meat consumption a major economic target. On the other hand, if Moscow decides to decrease the purchases of manufactures and technology from the West, the net effect

[37] CIA, *Soviet Economic Problems and Prospects*, p. 6.

[38] Klinghoffer notes that increased Soviet trade in the seventies was motivated partially by the desire to acquire more Western technology, which could be obtained by selling exports for hard currency. The inferior quality of Soviet products prevents the West from accepting them in return, so the USSR must sell the West raw materials and fuels. (*The Soviet Union and International Oil Politics*, p. 33.)

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would be to hamper technical innovation and modernization upon which economic growth — especially in the energy sector — is predicated.

The energy crunch will coincide with a myriad of problems that would be difficult enough to solve alone. As noted above, Soviet agriculture has failed to produce sufficient quantities of grain to guarantee expected improvements in food consumption. Nationality problems have also grown in recent years, not just on the part of the "minorities" but by the Great Russians as well.[39]

Still, these problems are not insurmountable. If the regime were to adopt meaningful economic reforms and institutional modifications, most of these problems could be solved or, at least, deflected from the political arena. However, the top elite in the Kremlin are now all older than 70, and this gerontocracy has not demonstrated the inclination to adopt radical changes. No crisis of any proportion has occurred to challenge the inflexibility and caution of this leadership, which has grown accustomed simply to muddle through past problems. This "solution" will be inadequate to meet the challenges that will be generated by the coming energy crisis in the USSR. Worse, should the energy crunch materialize during a succession crisis, the ripple effects on some other domestic problems might well create a genuine political crisis for the Soviets. At a minimum, a future leadership will be burdened by the failure of the present elite to adopt an innovative, bold program to cope with the coming crisis.

Demand from the "Socialist Commonwealth"

The extent to which the USSR has subsidized East European economic growth has been generally unrecognized. The Soviets have exported energy to bloc countries at prices below the world market, often receiving shoddy goods or soft currency in return. The Kremlin sacrificed economic gains for political ends as the energy lever served to tie the bloc countries securely to Moscow's

[39] According to Dimitri Simes, tensions between nationalities are a source of growing discontent in the USSR. For an absorbing analysis of this problem, see Simes *et al.*, *Nationalities and Nationalism in the USSR: A Soviet Dilemma* (Washington: Georgetown University, Center for Strategic and International Studies, 1977). David K. Shipler has also drawn attention to a significant upsurge of Great Russian chauvinism. ("A Russian Nationalism Is on Rise," *New York Times*, November 12, 1978.) Shipler points out that the impulses of Russian consciousness are growing as a backlash to manifestations of minority nationalist feelings and demands. Politically this Russian nationalism rejects democracy and pluralism, views Marxism as an alien ideology, and strives for an "ethnically pure" Russian society.

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whims.[40] But Moscow has now warned the East European countries that they soon will be paying their own way for energy, either to the USSR or, to a growing degree, to outside suppliers.

The possibilities for significant increases in energy production by the East European countries are bleak. Oil and gas production is limited and concentrated in Romania, a country that is itself facing increasing difficulties just in maintaining current output. Most of these countries have coal resources, although — with the notable exception of Poland — they are often of low quality. Presently dependence on foreign fuels varies — 75 per cent in Bulgaria, 40 per cent in Hungary, 30 per cent in Germany and Czechoslovakia. Romania is about even and Poland enjoys a slight surplus.[41] Eastern Europe as a whole satisfied only about 70 per cent of its energy needs in 1976 and will meet only one-half of those requirements in 1990. To fill this void, energy-resource imports will expand threefold between 1976 and 1990.

The key item in the import sector is oil. When the USSR could meet bloc requirements, the net effect on their balance of payments was minimal since the Soviets sold them petroleum at prices below the world market. The Soviets have jacked this price up considerably in the past year and a half. However, the real problem is not the price of the product but simply the Soviet inability to satisfy East European requirements to the extent that it did previously.[42]

Eastern Europe will be turning to the OPEC countries to satisfy an increasing share of its petroleum requirements. This necessity will increase dramatically the already extensive gross indebtedness of the East European countries, which has reached $27 billion.

[40] The extent of the Soviet sacrifice can be appreciated when one considers that planned exports to the bloc countries in Eastern Europe for soft currency represents a yearly loss of more than $7 billion in badly needed hard currency. This sacrifice was hardly altruistic: the Kremlin shored up the fledgling economies of the region and made the regimes critically dependent on Moscow. Such a lever was probably useful in generating support for Soviet policies within the international communist movement, where (except for oil-sufficient Romania) the bloc countries have generally followed Soviet dictates.

[41] See Alfred Zauberman, "The East European Economies," *Problems of Communism*, March-April 1978, p. 63.

[42] The Soviet Union recently announced that it would sell the COMECON countries 80 million tons of oil in 1979 at a price now some 25 per cent below the world market. (FBIS, *Daily Report* (Soviet Union), March 30, 1979, p. BB1.) Actually the Soviets had jacked up the selling price to their allies last year to a level just 5 per cent below the world market. But OPEC price increases since last summer have "cheapened" the Soviet product. These payments to the USSR, however, are usually made in their own soft currencies or adjusted according to East European investment in Soviet energy extraction and transportation development. For example, the East European countries are currently building a natural-gas pipeline from the Central Asian city of Orenburg to the western frontiers of the USSR as a form of repayment.

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The net increase in the bloc countries' oil bill could reach $6-7 billion a year.

The political effect of this economic shock is not likely to be transitory.[43] Soviet credits, cheap energy exports and other forms of assistance have more than once deflected political crises in Eastern Europe. The Kremlin has been sensitive to the political vulnerability of the Communist leaderships in those countries and has been willing to sacrifice short-term economic returns in order to assist the stability of those governments. Now, with the energy lever diminished, growing East European dependence on OPEC suppliers, and increasing indebtedness to the West, severe economic dislocations will be felt.

Any significant reduction in economic growth that might flow from energy shortfalls will threaten the stability of some of the bloc regimes. The impact of reduced energy availability will be felt more in Bulgaria, the most dependent on imported supplies. However, even Romania, previously a major fuel exporter, faces declining production and may soon become a net importer of energy. Poland's coal resources provide a limited shield against energy shortfalls, but oil purchases will have negative effects even on that country's economic growth. While the politics of economic growth are the most volatile in Poland, as demonstrated in 1970 and again in 1976, there is no reason to assume that the other bloc countries will be immune. Even slight decreases in growth rates could frustrate the economic expectations of large segments of the population, leading to open political discontent.

If the loss of economic growth proves so large that little or no increase in real wages is possible, the ability of the East European governments to survive on their own is in question. The deeper question revolves around the probable Soviet response to these challenges. In the absence of the energy lever, the USSR is left with little influence except the threat represented by the Red Army's presence. Indeed, one observer has suggested that the recent build-up of Soviet forces in Eastern Europe may not be related solely to Moscow's concern with NATO military capabilities, but might serve as a mechanism through which Soviet control could be rapidly reasserted if necessary.[44]

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[43] East European manufactures are not heavily sought after in the world market, and the bloc countries will be hard-pressed to offset these purchases through sales to hard-currency areas. For an excellent analysis of the bloc's energy dilemma, see H. G. Trend, "Energy — The Key to East European Economic Development," *Radio Free Europe Report*, May 12, 1978.

[44] John Hardt, "Soviet Economic Capabilities and Defense Resources," paper de-

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The Hard-Currency Imperative

Exports of Soviet fuel resources, principally petroleum, are vital ingredients in the USSR's foreign trade balance. The Soviet Union currently exports about 14 per cent of its annual energy supply, while importing only 2 per cent. The imports are limited to coal from Poland and gas from Iran and Afghanistan, but these are primarily for transshipment on account or for local use to alleviate regional shortfalls.

Oil has contributed the bulk of sales abroad. In recent years the export of oil has been the largest single source of foreign-exchange earnings — over $6 billion in 1976 alone.[45] About 60 per cent of these exports went to other Communist countries, with 25 per cent going to hard-currency areas and the remainder to soft-currency markets in the West. The Soviet Union has been able simultaneously to meet its domestic energy requirements, satisfy the needs of the East European countries and export considerable quantities of oil to the West. In fact, the USSR is now the world's third largest exporter of petroleum, behind Saudi Arabia and Iran.

The oil deliveries to hard-currency markets are critical in offsetting spiraling deficits in the overall Soviet trade balance generated by the necessity for massive grain and technology purchases from the West. These purchases are essential to the success of the Soviet Union's development plan. If the Soviets were to lose the means to finance these imports, and be forced to curtail purchases, then internal economic growth would be affected adversely. Worse, a diminution of these items would mean a drastic cutback in the standard of living, the reverberations of which have already been noted.

It might be argued that the Soviet Union, enjoying perhaps a unique status as a reliable debtor, could finance these purchases through continued borrowing from the West. But Soviet debt has already risen to $16 billion and continues to grow, and the USSR may be reaching the limits of credit expansion. So long as the energy exports could cover a large portion of import requirements, then the negative balance was not too alarming. In the future, with Soviet energy production slowing down and requirements growing, the

livered at the West Point Senior Conference on "Integrating National Security and Trade Policy," June 16-18, 1978.

[45] Fully one-third of the total value of Soviet exports was accounted for by the sales of oil, gas and electrical energy abroad last year. (*Narodnoe Khozyastvo*, p. 667.) Major purchasers were East and West Germany, Italy and Finland. (See *Vneshnaya Torgovlaya v. 1977*, pp. 60-61). About 28 per cent of the total oil production is exported, and about a third of that goes to hard-currency areas.

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ability of the Soviets to continue massive borrowing from the West will be curtailed.

The bottom line on the demand side is that requirements for Soviet energy are accelerating, while supply constraints are increasing. The Soviets simply cannot expand production enough to satisfy the multiple claimants on the output. The reverberations are likely to be severe. Where does the Kremlin cut back? Decreases in domestic consumption would impede overall economic growth; reductions in supplies to Eastern Europe would lead to dislocation in the bloc economies; and, finally, a drop in volume available for export to the West would deprive the Soviets of the means to obtain critical manufactures, technology and food imports. Should production suffer a setback to the point that domestic consumption requirements cannot be met, then Moscow is likely to become a competitor for scarce energy supplies in the world market!

The Soviet Energy Prospectus

Forecasting Soviet energy production and consumption is extremely difficult. The production side of the equation will be affected by numerous factors, including structural changes within the Soviet economy, foreign assistance and the discovery of virgin fields. On the consumption side of the ledger, it is difficult to predict how Soviet planners will allocate the final product between the multiple claimants. In view of the many variables, predictions are obviously tentative, but these forecasts can be made with a reasonable degree of confidence. Table II summarizes the previous analysis, illustrates actual Soviet and East European energy balances in 1976, and makes a projection for 1985 and 1990.

The projections indicate that the Soviet bloc will lose its position as a net exporter of energy by 1985, and that the USSR itself will become a net importer of energy by 1990. While gas exports will increase substantially, oil sales will taper off dramatically. The most significant shortfall will be in the oil sector where, by 1990, the Soviet Union will be a net importer of petroleum (2 MBD) at a cost of about $10 billion a year at current world oil prices. The ability of the Soviet Union and its allies to generate sufficient hard currency to finance these imports and meet other essential hard-currency needs is in question.

The projection of the Soviet Union as a net energy importer by 1990 carries ramifications that transcend the effects of various shortfalls noted earlier in this article. The impact will be

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TABLE II

ILLUSTRATIVE SOVIET, EAST EUROPEAN AND TOTAL BLOC ENERGY BALANCES*

(MBD oil equivalent)

	1976			1985			1990		
	Production	*Consumption*	*Imports*	*Production*	*Consumption*	*Imports*	*Production*	*Consumption*	*Imports*
USSR									
Oil	10.4	7.6	—(2.8)	10.0	10.0	...	10.0	12.0	2.0
Gas	5.5	5.1	—(0.4)	9.8	8.9	—(0.9)	12.2	10.7	—(1.5)
Coal	7.0	6.8	—(0.2)	8.4	8.1	—(0.3)	9.6	9.2	—(0.4)
Nuclear	0.1	0.1	...	0.6	0.6	...	0.9	0.9	...
Other	0.7	0.7	...	1.1	1.1	...	1.8	1.9	...
Total	23.7	20.3	—(3.4)	29.9	28.7	—(1.2)	34.5	34.7	0.1
Eastern Europe									
Oil	0.4	1.8	1.4	0.4	2.4	2.0	0.3	2.8	2.5
Gas	1.0	1.2	0.2	0.9	1.5	0.6	0.8	2.0	1.2
Coal	4.7	4.5	—(0.2)	6.3	6.0	—(0.3)	6.6	6.3	—(0.3)
Nuclear	negligible	negligible	...	0.2	0.2	...	0.4	0.4	...
Other	0.1	0.1	...	0.1	0.1	...	0.1	0.1	...
Total	6.2	7.6	1.4	7.9	10.2	2.3	8.2	11.6	3.4
Total Bloc									
Oil	10.8	9.4	—(1.4)	10.4	12.4	2.0	10.3	14.8	4.5
Gas	6.5	6.3	—(0.2)	10.7	10.4	—(0.3)	13.0	12.7	—(0.3)
Coal	11.7	11.3	—(0.4)	14.7	14.1	—(0.6)	16.2	15.5	—(0.7)
Nuclear	0.1	0.1	...	0.8	0.8	...	1.3	1.3	...
Other	0.8	0.8	...	1.2	1.2	...	1.9	1.9	...
Total	29.9	27.9	—(2.0)	37.8	38.9	1.1	42.7	46.2	3.5

* Assumptions: trend industrial growth rates; energy conservation effects of 5 per cent by 1985 and 10 per cent by 1990; constant real oil prices.

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much greater than a retardation of domestic economic growth and politico-economic dislocation in Eastern Europe, results that would have been generated even if the USSR were to manage to maintain its status as a marginal net exporter. The entrance of the USSR into the competition for the world's increasingly scarce energy resources will significantly alter Soviet strategic policies, particularly with respect to the oil-rich Persian Gulf region. The Kremlin is likely studying recent manifestations of dissent in the area, especially in Iran, with considerable interest.

International Implications of the Soviet Energy Dilemma

The Persian Gulf region has long been of more than passing interest to Soviet leaders primarily because of the region's critical importance to the West. As is well known, the United States, Japan and Western Europe rely heavily on this area for their petroleum supplies, as do other countries aligned with America.[46] In the past the Soviets acted with caution in the Persian Gulf region, avoiding actions that would directly threaten Western access to petroleum, for the Soviets simply have not had a sufficient stake in Middle East oil to risk the dangers of an East-West confrontation. However, as Moscow has gradually recognized its impending energy dilemma, the political and economic attractiveness of the region has been enhanced.

Clearly, Iran is the crucial state in this region. Not only does Iran's importance stem from its oil exports to the West and its proximity to the major oil-shipping routes, but the shah's Iran was a powerful military ally of the United States.[47] Still, the Kremlin had been quite circumspect and patient in its relations with Iran, avoiding a frontal assault on the shah. Instead, Moscow concentrated on supporting radical regimes in the area. The Kremlin played a strong role in establishing the revolutionary government in Afghanistan, gave considerable aid to the radical Iraqi regime, propped up the

[46] For an interesting Soviet perspective on the evolution of the Middle East crisis and the importance of the area to the West, see Ye. M. Primakov, *Anatomiya Blizhnevostochnovo Konflikta* [Anatomy of the Near East Conflict] (Moscow: "Mysl" Press, 1979). Primakov, a senior analyst at the Institute of World Economy and International Relations, Moscow, concludes that the interests of the United States, Western Europe and Japan will intensify in this area. He attributes this primarily to the critical role of the Arab world as a supplier of petroleum and gas to the West. (pp. 178-186.)

[47] The shah's Iran gave a degree of stability to the region as Iran served as the Gulf's policeman, strongly opposing local rebellions (e.g., Oman in 1973-1975) and distributing military assistance and financial aid to the traditional regimes. Iran's strategic location astride the Indian Ocean has tempted Russian rulers since czarist times as a "window to the south" with its access to warm-water ports and the great southern sea lanes.

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Marxist government in South Yemen and distributed aid and weapons to various radical groups in the region.

Actual Soviet involvement in the disorders which shook Iran last December is difficult to discern, but Moscow's interest in the outcome was made quite clear by General Secretary Brezhnev. The Soviet leader repeatedly warned the United States and other Western countries that intervention in the Iranian crisis would lead to "dire countermeasures."[48]

What do the Soviets want from Iran in the long run? The establishment of a Communist regime is highly unlikely given the strong religious sentiment of the populace and the weakness of the clandestine Communist organization (the Tudeh). At any rate Moscow has never made this a top priority, willingly directing assistance to states that suppress domestic Communist parties (e.g., Libya, Syria). At a minimum Moscow hopes for a "Finlandized" Iran, one that would be free of security ties with the United States, thus breaking the developing chain of anti-Soviet states along the periphery (Japan, China, Iran and Israel). The most propitious situation would be the emergence of a revolutionary, pro-Soviet Muslim regime. Such a government would be politically weak and vulnerable for a time, receptive to superpower assistance to ensure her security. In return, Iran might become a dependable supplier of oil and gas to the USSR.

Should Iran become another radical Muslim, Soviet-aligned state along the lines of Syria and Libya, it will be very difficult for the other pro-Western, oil-rich kingdoms in the area to stave off subversion. These countries, including Saudi Arabia, Kuwait and the Emirate states, are sparsely populated, traditional feudal monarchies experiencing wrenching modernization problems.[49] The regimes are susceptible to external subversion designed to promote

[48] Foreign Minister Gromyko, in his Supreme Soviet electoral speech in Minsk on February 27, denied that the Soviets had interfered in Iran, and warned other countries not to "meddle in these affairs under any pretext." (FBIS, *Daily Report* [Soviet Union], March 20, 1979, p. 60.) Soviet involvement was probably not extensive, although the USSR had beamed anti-shah broadcasts to the country. Pro-Soviet, Marxist movements were small, though well-organized and disciplined. Moscow apparently encouraged the collaboration of the Marxist groups with the non-Marxist opponents of the shah.

[49] For an in-depth look at both the current Saudi and former Iranian kingdoms, see Fern Gold and Mel Conant, *Access to Oil — The United States Relationships with Saudi Arabia and Iran* (Washington: GPO, December 1977). The report notes that profound internal changes threaten the stability of these countries and will have important effects on the future price and production of oil. It is interesting that the report discounts the possibility of Soviet encroachment in this region because of historical "opposition to Russian efforts" to expand their influence there. An analysis of regional problems is provided by David Lynn Price, *Oil and Middle East Security* (Beverly Hills, Calif.: Sage, Washington Paper no. 41, 1976).

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the emergence of a radical group acting on behalf of "the suppressed peoples." Should such "liberation movements" emerge, Soviet and Cuban troops are stationed in Yemen and Ethiopia in sufficient numbers to render assistance.

In retrospect, the determined Soviet attempt to gain inroads on the Horn of Africa now becomes clearer. Despite numerous setbacks (in Egypt, the Sudan and Somalia), the USSR continued to invest considerable resources and prestige in the region.[50] The support rendered to the Ethiopian "Marxist" government is a case in point. The opportunistic Soviets barely hesitated in helping to crush the Eritrean liberation struggle which they had supported openly for years. While Ethiopia is of minor intrinsic value and the pseudo-Marxist regime in Addis Ababa owes little to Moscow for its ideological heritage, the Kremlin has given strong support to the fledgling government there. The Ethiopian gambit represents an attempt to be in a position to support Soviet interests in the region, including the requirement to have a base of operations from which to monitor the vital oil-shipping routes. A further objective is to establish a support base to assist insurgencies that might spread to the Arabian Peninsula.

Previously the USSR had to consider that it ran a strong risk of confrontation with the United States by any action that challenged Western access to the region. The achievement of superpower parity and the perception that America would not be willing to commit assets to a distant area have combined to lower the risk of Western counteraction. As the Soviet Union's impending energy crunch enhances the existing political attractiveness of the region, the temptation to turn the entire area ino a Soviet protectorate will grow.

The Pivotal Role of the United States

The discussion thus far has indicated that the Soviet energy dilemma represents more than just a domestic concern of the Soviet leadership since the crisis will have important ramifications on Soviet foreign and strategic policies. Thus, the Soviet energy dilemma will send shock waves that will resound in Washington, and the crisis will have a direct bearing on U.S. national security policy. Conversely, American policy toward the USSR's energy situation is sig-

[50] James Reston questions whether the United States, so soon after its disappointing experience in Vietnam, is prepared to commit itself politically and militarily to ensure stability in the Middle East. Despite the collapse of Iran, the reconciliation between Moscow's clients Syria and Iraq, the emergence of a radical regime in South Yemen and continuing instability in Saudi Arabia, the United States remains hesitant to become involved. ("Unanswered Questions," *New York Times*, March 9, 1979.)

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nificant in that U.S. assistance can either exacerbate or ease the Soviet energy problem.

American participation is not going to solve the Soviet energy crisis, no matter how extensive the involvement, but the American role is critical. No other Western nation (including Japan) is likely to enter into a Siberian development scheme without the implied protection that is inherent in American involvement. U.S. assistance could increase Soviet oil production by as much as 1 MBD by 1985, certainly not sufficient to turn it around for the Soviets, but not an inconsiderable amount either. American technology, credits and manufactures are actively sought by the Soviet government today, a clear indication of the importance the Kremlin attaches to our role.

Here we have somewhat of a dilemma for the American political leadership. If, as it appears, American participation in Siberian energy ventures would significantly enhance Moscow's productive capacity, should such assistance be rendered to our primary adversary in global politics? Or should the U.S. embargo technology, credits and manufactures in the expectation that the energy crisis will lead to economic dislocations of such magnitude that the Soviets would not be able to challenge us effectively in the international arena? Of course neither extreme is a probable policy position for Washington, but it is useful to consider the arguments offered in favor of and against U.S. participation in Siberian ventures.

Opponents of U.S. participation point to the considerable drawbacks inherent in American involvement in Soviet energy programs. Many of the Soviet proposals for joint ventures have called for extensive U.S. investment at the front end with the tenuous promise of repayment by a share in future production. This may make Washington hostage to Soviet whims and create a vested interest in continued benevolent attitudes toward the Kremlin lest our energy deliveries be curtailed. Further, American assistance to Moscow could allow Soviet planners to devote more attention to other areas (such as defense), forestall the necessity of shifting resources and investment to the energy arena from the traditional heavy industry and military sectors, and greatly enhance their drilling expertise. America might wish to ponder the utility of transferring technology that creates a more formidable competitor for scarce resources. Those critical of the United States proffering assistance argue that the Communists ought to be left to wallow in their own economic swamps. Why should this country solve the contradictions inherent in the Soviet politico-economic system?

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The argument that U.S. assistance directly or indirectly assists Soviet military capabilities is crucial to this viewpoint. What is emphasized is not so much the danger of technology transfers having military application, since that sort of sale would presumably be prohibited, but the indirect subsidy given to the Russian arms industries. Some observers have argued that the Soviets have been able to circumvent the necessity of overhauling their archaic, highly centralized, defense-oriented command economy by securing technology transfers from the West that partially overcome the informational and organizational defects in the system. Wolfgang Leonhard asserts that the Soviet leadership adopted a policy of detente with the West largely because of a desire to avoid instituting reforms, decentralizing the structure or cutting back on defense production. A "cooperative" foreign policy, he claims, allowed the Soviet leadership to garner sufficient technology and credits from the West to postpone these reforms and avoid internal liberalization.[51] Some would argue today that if Moscow were unable to obtain sufficient assistance from abroad, it might be compelled to undertake radical economic reorganization (presumably toward greater decentralization) to cope with the energy dilemma. This argument assumes that economic decentralization would then lead to political liberalization.

Others would counter that the United States has a direct security stake in the Soviets *succeeding* in Siberia. Should the United States embargo the sale of critical extraction technology to the Soviet Union and place constraints on financial assistance, the USSR might very well fail to solve its energy crisis. In this case it is highly unlikely that the Soviet response would be to adopt a Western-model economic system that would include a decentralization of authority and diversion of revenues away from defense requirements. The more logical response, in light of past Russian behavior, would be to turn inward, adopt harsh internal restrictions and pursue a hard line internationally, all of which would strengthen the "hawkish" faction in the Kremlin.

While the political reaction is difficult to gauge, the inter-

[51] Wolfgang Leonhard, in a perceptive essay, "The Domestic Politics of the New Soviet Policy" (*Foreign Affairs*, October 1973), argues that "Soviet leaders have consciously initiated a policy leading toward rapprochement in order to *avoid* a liberalization of domestic policies." This policy of moderation is designed to gain scientific and technological assistance from the West. Klinghoffer notes that the Soviets may actually be engaging in this trade to "promote economic development without effecting any significant reorganization of their system. They may actually increase authoritarian controls to counteract any potential growth of 'bourgeois' tendencies which could be brought about by the extension of trade contacts with Western states." (*The Soviet Union and International Oil Politics*, p. 293.)

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national repercussions are clearer. There is little doubt that a Soviet failure in Siberia would lead to an acceleration in the growing global shortage of oil and other energy sources. Worse, the disappearance of the Soviets from the world oil-export market will give a sharp impetus to future price increases and further constrict the number of suppliers. Should the Russians become net importers, as appears likely, then they will compete directly with the United States for scarce Middle Eastern resources, increasing the possibility of superpower conflict in that region.[52]

American interests, it can be argued, are served in many ways by Soviet success in Siberia. More oil would find its way to the world market, more alternative suppliers would be available, pressure on world oil prices would decrease and the Soviet Union would become somewhat "dependent" on the West. An expanded Siberian output would assure the United States of a portion of the production, thus partially alleviating our own energy crisis and giving this country time to develop alternative energy sources.[53]

American policy with respect to involvement in the Siberian energy ventures — from sales of equipment, know-how and complete factories to the rendering of financial assistance — is in the formulative stage. American industrial firms have launched a strong effort to lower the political barriers for exports to the USSR, while a loose combination of legislative and executive officials have striven to tie such sales closely to Soviet behavior in world politics. A certain degree of ambivalence is probably healthy in this respect since neither a policy of "quarantine" nor one of "laissez-faire" is useful. Instead the U.S. government will have to "fine-tune" its economic policy to reflect Soviet actions in the global arena.

The application of economic leverage in a direct, punitive fashion (e.g., freedom for dissidents in exchange for tractor parts) would not be productive. The U.S. economic lever will be more useful when applied subtly. The prospect of future U.S. assistance, sales or financial terms cannot be tied to specific actions, but should be employed so that the Soviet leadership must consider securing these benefits as part of their broad strategic calculations. Applied subtly, judiciously and quietly, economic influence can be an important instrument in the American diplomatic arsenal. Thus the question of U.S. participation in Soviet energy development transcends narrow

[52] See William Verity, chairman of the Aramco Steel Corporation, "Taking Politics Out of Trade with the Soviet," *New York Times*, January 2, 1979, for a persuasive view opposing the linkage of economic relations with non-economic considerations.

[53] For an interesting perspective here, see William Greider, "U.S. Should Help Russia Alleviate Its Oil Crisis," *Washington Post*, August 13, 1978.

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economic issues and blends into the broader controversy regarding Soviet-American relations.

Conclusion

The Soviet Union is on the brink of an energy crunch. Difficulties in extraction of resources, transportation of the products and location of new reserves, in the face of accelerating demands for Soviet energy from multiple claimants, have created a major dilemma for the Kremlin. The Soviet leadership must now come to grips with problems inherent in its socioeconomic system, with the level of resources it is willing to commit to defense, and with broader foreign policy challenges, as well as with the specific challenges presented by the energy crisis. Washington cannot predict which course the Soviet Union will take, but it is evident that Moscow's alternatives, vulnerabilities and probable responses should be an integral factor in U.S. strategic and foreign policy planning.

American international energy policy must be concerned not only with approaches to producer-consumer relations, but with the broader political and strategic ramifications. Regardless of which of the alternative responses the Kremlin adopts, the evolution of the Soviet energy dilemma will have a major impact on American policy — and vice versa.

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IRAN: U.S. FOREIGN POLICY AND THE TRADITION OF PERSIAN STATECRAFT

by Adda B. Bozeman

That the American foreign-policymaking establishment was not prepared for the kind of turbulence that gripped Iran in 1978-1979 seems to have signaled the need to upgrade existing methods of intelligence collection and evaluation in order to improve the art of political forecasting with respect to the non-Western world. A task force for the study of the Iranian debacle and for the preparation of new diplomatic guidelines was thus set up by the Carter administration in November 1978,[1] and, according to preliminary reports, the main defect of existing intelligence operations has been diagnosed as the practice, said to have been common among U.S. political agents over the past ten years, of focusing on the thinking of the ruling Iranian elites and ignoring "social changes." Since the latter changes had been identified with the rise of opposition groups in Iran's intellectual and religious circles, and with the consequent erosion of what had appeared to be a stable monarchy, Carter's task force has the further mandate to examine the aims and strengths of opposition movements in other strategically important states whose governments are, at the moment, still considered friendly to the United States, among them the Islamic states of Saudi Arabia, Turkey and Egypt.

It is not my purpose to take issue with these initiatives or to argue a case for or against the Central Intelligence Agency's work in Iran. Rather, the intent here is to suggest that the Iranian Revolution is representative of very complex culture patterns, that it cannot be understood solely as a function of events in the past decade, and that the monumental American failure in Iran is ultimately a result of our long-standing misperception of that country's place in the Islamic Middle East and our widespread ignorance of all that has been distinctive about Persian history during the past 2,500 years.

[1] See Richard Burt, "U.S. Seeks Ways to Gauge Foreign Nations' Stability," *New York Times*, January 29, 1979.

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II

The major impediments to an accurate understanding and evaluation of all Islamic societies, whether orthodox Sunni or of the Shiite persuasion, seem to be as follows. In contrast to the United States, which prides itself on emancipation from the past and which has therefore allowed respect for history and cultural tradition to atrophy in the nation's consciousness, Islamic societies are riveted to the past. And in that past, no era is deemed to have equaled that of the life span of Mohammed in the seventh century after Christ, when Islam was announced in the Arabian Desert and proved victorious over all adjoining high civilizations, including that of the illustrious Persian Empire. Generations of believers have ever since held fast to the belief that everything, including government, was perfect in those success-filled decades because the community of the faithful followed Allah's law as revealed and administered by the Prophet. Subsequent history heaped all manner of failure upon the Dar al-Islam: anarchy, disunity, defeat and, after about A.D. 1200, the arrest of creativity. No tribulation or humiliation, however, was ever allowed to dislodge the image or remembrance of that early state of perfection. The question of just what had gone wrong in Allah's domain, or why success had eluded the Islamic (notably the Arab) peoples, was asked insistently, especially after the intellectual, religious and political elites were forced to take cognizance of the phenomenal ascendancy of the Christian West. Yet, it cannot be said that the search for answers has ever led to sustained self-examination. What one finds instead is this: a rich literature of apologia for failure, a rather routine disposition to seek scapegoats in the ranks of successful alien nations and to indict their nefarious non-Islamic ideas for the crime of corrupting Islam, and an intense readiness to activate that ever latent "longing for the dependable situation" (Gustave Von Grunebaum's phrase) which invariably conduces to retreat into the glorious past.

Thus, aspirations toward progress, emancipation, development or reform, which Americans commonly project into future time, are customarily cast in terms assuring the revival of ancient truths and bygone days. These themes, too, are rendered clearly in the present Islamizing revolution in Iran. Asked what form of government was planned for the country, the Ayatollah Khomeini's appointee for the post of prime minister is said to have replied that what was wanted was a government of the type seen during the

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ten-year rule of the Prophet and during the five years under his son-in-law Ali, the first Shiite imam.[2]

Other Islamic norms and dispositions, likewise alien to our modern thought world, relate to the linkage between religion and political organization. The political vocabulary now in use throughout Islamic society, including Iran, is replete with words derived from Greek, Latin and other European languages. Yet, it has long been obvious to students of modern Islam that such familiar Western words as state, nation, republic, democracy, constitution and referendum acquire wholly different and unfamiliar meanings when they are transplanted to contexts shaped by non-Western linguistic and cultural factors. For example, traditionalists as well as modernists in Islam have always been at one in conceiving of the *umma* ("community of the faithful") comprehensively, unbounded by space or time (a model not readily compatible with that of the territorial, sovereign nation-state), and in insisting that religion cannot be separated either from law or government. As a spokesman for the Muslim Brothers (a traditionalist group in Egypt) put it some time ago, "Islam is at once religion and state, spirit and work, Holy Book and sword."

All discrete definitions for different norms, institutions, forms of government and political activities, as these have long been taken for granted in Europe and America, were thus automatically invalidated when the Occidental vocabulary of terms and concepts was grafted upon Islamic societies during the Westernizing processes of the nineteenth and twentieth centuries. Even the core idea of the state continues to sit uneasily in this culture realm — especially in its Arab provinces — where not even the concept of the caliphate, as envisioned by Koranic scholars in the distant past, was ever allowed to evolve into a politically trusted and effective system of rule. Indeed, since just about all caliphates had fallen short of the ideal in the view of religious authorities, each could be, and usually was, impugned as illegitimate on one ground or another. Assassinations, coups d'etat and civil wars are thus commonplace entries in the annals of this region's history,[3] and in this all-Islamic perspective, the overthrow of the Pahlavi dynasty in Iran is neither unusual nor untoward.

The only principle of political organization recognized by the sacred law is the imam, the religious leader who qualifies as the

[2] *New York Times*, February 4, 1979.

[3] See, for example, Bernard Lewis, *The Arabs in History* (New York: Harper & Brothers, 1960), "Chronological Table," pp. 179-183.

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authoritative keeper of truth and knowledge. Yet, here again one looks in vain for unequivocal instructions in orthodox Sunni doctrine on just how such an exponent of divine authority is to be found and appointed, or on what his jurisdiction really is. Shiite Islam — the heretical faith that the Persians accepted after they were conquered — is somewhat more explicit in this regard. It holds to the principle, first of all, that the office of imam rests exclusively with descendants of Ali, the Prophet's son-in-law who was the fourth caliph, and secondly, that the judgment of such a "legitimate" imam is infallible. That is to say, contrary to orthodox Sunni believers, who rely mainly on instructions found in the Koran and in the body of canonical tradition as accumulated over the course of time, the Shiites are invited by their faith to exalt one man. In the case of Iran, this disposition is fortified by pre-Islamic religious texts and understandings, notably the Avesta, which predicted the coming of a savior.[4]

These interlocking sets of persuasion explain why Shiism often served as a rallying point for political opposition to the ruling political establishment. In fact, as William Haas[5] has pointed out in regard to Iran, not only is all secular power transitional and defective, it is also a usurpation from the religious Shiite point of view. It is in this ambivalent context, then, that one should interpret the following statement by the Ayatollah Khomeini: "I also should remind you that I am doing this [i.e., appointing Mr. Bazargan] because I am religiously entitled to do this. I must warn everyone that they must obey this government. Opposition to this government will be considered opposition to Islamic laws and traditions."[6] References to "Islamic Jurisprudence" as the exclusive source of constitutional and criminal law, and as the only valid guide for the administration of physical and other punishments have been frequent and emphatic in Iran's modern revolutionary circles. Their general purport is the disestablishment of all codes and constitutions borrowed from the West, as the following statement by Ayatollah Muri illustrates: "In reality, the legislative power cannot under an Islamic government be

[4] See below, in sec. III, for discussions of pre-Islamic creeds and thoughtways.

[5] *Iran* (New York: Columbia University Press, 1946), p. 113. It is relevant to this article's main themes to remember that Shiism has brought forth a unique religious doctrine permitting a Shiite to pretend that he is a Sunni, or even a Christian or a Jew, if he is at any time in danger by virtue of his being a Shiite. The ramifications of this "Doctrine of Dissimulation" extend beyond religion. As Richard Frye notes in *Persia* (London: Allen & Unwin, 1972) p. 116, Iran's religious leaders have often saved themselves in the past by withdrawing in times of political turmoil and practicing this doctrine — a method of retreat that has enabled them to survive and resume their public functions when circumstances became more auspicious.

[6] *New York Times*, February 6, 1979.

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considered an independent legislative authority. In Islam, God is the lawgiver and the legislator. Rather, this assembly [a projected Islamic Consultative Assembly that is to coexist with an assembly of theologians, senior ayatollahs and experts in Islamic law] is in a sense the expounder of the principles of Islam and applies them to current conditions."[7]

Such official pronouncements, in conjunction with the open admission that the theocratic Islamic Republic may, after all, arrange for a popular referendum or election in order to satisfy world opinion, are said to have alarmed some of our diplomatic observers of the Iranian scene. It is true, of course, that modern Persian law was modeled carefully on French and also Italian law, and that the 1906 Constitution followed major leads supplied by the Belgian Constitution. Our intelligence analysts in the 1970s, however, should have remembered that the Constitution explicitly invests religious leaders with the authority to declare legislation null and void if they find it to conflict with the principles of Islam. Even more important, in light of America's expressed concern for the internal stability of other Islamic states in the Middle East, it is high time to reread all the various constitutions written in that region, together with all the solemn legal documents justifying the murder of heads of state, the forceable seizure of power and the instigation of coups d'etat and civil wars that were produced in the 1950s and 1960s.[8] Such study may also, albeit belatedly, supply Washington with the intelligence that civil liberties and political freedoms are not accommodated in Islamic culture and that, therefore, it is not only illusional but counterproductive to make "human rights" the focus of our foreign policy.

III

The successful revolution of the "opposition groups" as led by the mullahs should be seen, in essence, as a victory for the general cause of Islam and as a defeat not so much for the Pahlavi dynasty as for the Iranian nation-state. It is this dimension of the recent upheaval and of the failure of American diplomacy that has thus far not received the attention it deserves.

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[7] *Ibid.*, February 4, 1979.

[8] See Hisham B. Sharabi, *Nationalism and Revolution in the Arab World* (New York: Van Nostrand Reinhold, 1966), pp. 107-173, for some of these texts. For a general analysis of Islamic patterns of administration and law, see Bozeman, *The Future of Law in a Multicultural World* (Princeton, N.J.: Princeton University Press, 1971), pp. 7-14, 50-85.

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Mention has already been made of the all-important historical fact that Persia was conquered by the Islamized Arabs. This terminated the Sassanian Empire (ca. A.D. 226-630), which had been conceived as a revival of the Achaemenid Empire (sixth to fourth century B.C.), and disestablished Zoroastrianism as Iran's state religion. In the ensuing centuries, however, there occurred a subtle reversal in the give-and-take of influence and control which is known in history as Iran's "Conquest of Islam," a phrase referring to the massive borrowing of Persian principles of statecraft and administration by conquerors ill-equipped, either by their religion or their tribal, desert traditions, to stabilize and rule the vastness their arms had won. Iran, and to some extent the Christian empire of Byzantium, thus became the model not only for the first dynasties of the Umayyads and Abassides but for the later Islamic caliphates of the Mongols and the Turks. Indeed, it can be argued in retrospect that these processes of Persianization were more effective and enduring in the Near and Farther East than those identified in modern times as Westernization.

An appreciation of this aspect of the Iranian presence in world affairs requires one to remember that Persia, the modern state's heartland, was recognized throughout antiquity as a "prestige nation," and that its position in the Eurasian world as a whole was once analogous to the place of Greece in the narrower Mediterranean sector. Ideas emanating from Iran had thus challenged the self-views of Jews as well as Greeks, had profoundly affected the political order of the Indians no less than that of the Arabs, and had radiated themes in ethics and religiosity that were to be substantiated in various forms both in Christianity and Islam. In short, ancient Iran was the watershed between Orient and Occident — an

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enigmatic position that has been acknowledged by many modern Europeans as well as by Asians. Hence, whereas Lord Elphinstone, Lieutenant Governor of Bombay from 1819 to 1827, could regard Persia as part of the West, observing that a European might think himself still in Europe until he reached the Indus, Jawaharlal Nehru was to single out Persia as India's closest kin and supreme mentor in matters of language, art and statecraft.

A comparative historical survey of these various borrowings suggests that those nations to the west of this cultural divide were impressed chiefly by the thought content of Zoroastrianism and related Iranian faiths, whereas those eastward responded more to certain examples set by Iran in the arena of political organization, international relations, art and architecture. It is true, of course, that the Alexandrian Empire — usually viewed as the first of the West — relied heavily upon administrative institutions bequeathed by the conquered Achaemenids. However, it was in Hindu and Buddhist India, the various Islamic caliphates of the Near East, and the Mogul Empire that Persian statecraft, with its stress on espionage and policing activities, exerted its greatest impact. These particular aspects of rule, rendered concrete in Pahlavi Iran in such institutions as Savak, are generally viewed with unmitigated loathing in the United States because they violate commitments to human rights and to "open" ways of conducting affairs of state. In the perspective of Oriental history and government, by contrast, Savak agents are more likely to be perceived as somewhat degenerate descendants of those renowned Achaemenid overseers — the "eyes and ears" of the King of Kings — who were admired and emulated by other ruling despots throughout the centuries precisely because they knew how to watch over the security interests of the realm. No single document attests to this Persian legacy more faithfully than the Indian *Arthasastra,* a manual on the science of government composed in the fourth century B.C. by a Brahman adviser for his sovereign, the Maurya king Chandragupta, who founded in northwestern India the first vast, centralized Indian state.

As in all cases of cultural borrowing, these were highly selective, being restricted to what could be securely integrated into existing Oriental systems. Thus it is interesting to note that the Asian dynasties were, by and large, not attracted either to Persian ethics or to those imperial institutions that might have had the effect of curbing absolutism — the principle, for example, of national self-rule. As Hegel was to observe correctly in a perceptive comparative survey (contained in his *Philosophy of History*), ancient Persia was already

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a "modern" empire in the sense that it comprised a multitude of subject nations, leaving to each its particular character; and in this sense, it was quite different both from the consolidated totality of China and from the anarchy and caprice of Hindu life. Whereas China and India remained stationary, Persia identified its course with the "principle of development," in accordance with which a nation aspires constantly to realize its potential. From this circumstance Hegel concluded that the Persians were the first "historical people" and, consequently, that world history begins with the history of this Aryan nation[9] — a point of view held also by Friedrich Nietzsche, who became convinced after his study of the Iranian conception of time that "the Persians were the first to think history in its Great and Total sense."[10]

The new approach — to time, to the past and to writing about the past — that the Medes and Persians introduced into the Near East revolved around the idea of a bounded time span, a "world time" of twelve millennia with a beginning, a middle and an end, moving forward in ascending phases of 3,000 years each. Explained in cosmogony and myth as the first creative act of the great God Ormazd, this "Limiting of Time" provided the setting within which the forces of Light and Darkness, or Good and Evil (the Better and the Worse in another version), were locked in combat for the soul of man. Each mortal was presumed not only to be aware of this great and fateful contention, but also capable of distinguishing truth from falsehood, right from wrong. The vast span of bounded time was brought into a directly meaningful relation to every individual, since the soul of each was not only the prize but the arena of battle. In contrast to other Near Eastern religions that had taught resignation, moral neutralism or compliance with priestly commands and fixed rituals, the faith of these Aryan peoples, as epitomized in Zoroastrianism, insisted that the individual human being must himself make a choice between Good and Evil, between the values of two exclusive deities of the universe and earth. Only if men engaged themselves voluntarily, with all their thoughts, words and deeds, could Ahriman, the presiding spirit of the world of lies and treachery, be permanently defeated.

Another unusual aspect of the Persian myth of time was its announcement that a wholly new spiritual order would follow

[9] G. W. F. Hegel, *Philosophy of History*, trans. by J. Sibree (New York: Collier & Son, 1905), pp. 174, 242f.

[10] Nietzsche's remark on Persia's relation to history is said to occur in notes preparatory to *Also Sprach Zarathustra;* see H. H. Schaeder, *Der Mensch in Orient und Okzident, Grundzüge einer eurasiatischen Geschichte* (Munich: Piper, 1960), p. 84ff.

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the appointed end of "limited time" and the eventual victory of Good; this motif, in conjunction with the Zoroastrian theme of dualism, prefigured the message of redemption, fulfillment or progression toward another hallowed end in time that Christianity was to carry forward into the mainstream of Occidental theories of history. In the Persian belief system, the idea of the new spiritual order was inseparable from the assumption that the world was corrupt not by nature but by accident, that it was in need of human transformation, and that this transformation was furthered through voluntary human participation — all premises utterly missing in the records of the Orient. Persian religiosity thus deviated radically from Eastern teachings counseling disengagement from the worldly scene. But it also differed significantly from the later Christian conviction, which stipulated that an original human sin, not the malice of an antigod, had caused the corruption of the world.

The evolutionary process toward excellence that is implicit in Zoroastrianism thus excluded the view that present and future must reproduce the past. Furthermore, the past was not identified with deified ancestors; nor, for that matter, with deified dynasties and kings. In other words, the cause of unity in the Imperial Persian domain was not linked to the type of cult that had been used to secure other empires in the Far and Near East and that was to make its appearance again in the Mediterranean area after Persian power passed away. The Achaemenid Empire, as a matter of fact, was not supported even by the dogma of a state religion. Darius and his successors are known to have identified themselves closely with Zoroastrianism, and a Zoroastrian calendar, based on an Egyptian model, appears to have been introduced in 441 B.C., during the reign of Artaxerxes I; but the records show convincingly that the royal representatives of this Persian house did not promote their imperial administration by insisting on the primacy of their faith over other religious beliefs in the realm. (Zoroastrianism, however, was to become the state religion of the later Sassanian Empire.)

One of the most likely reasons for this kind of tolerance lies in the fact that the heart of Zoroastrianism resided in moral abstractions, not in racial, ethnic or political myths. This meant, firstly, that the governing religion was not necessarily incompatible with communal non-Persian faiths and could command the respect, if not the loyalty, of subject peoples. Secondly, it meant that the imperial policymakers — not being themselves prisoners of an ethnically biased religion — could think freely and imaginatively in strict political terms and relate rationally to the religious traditions

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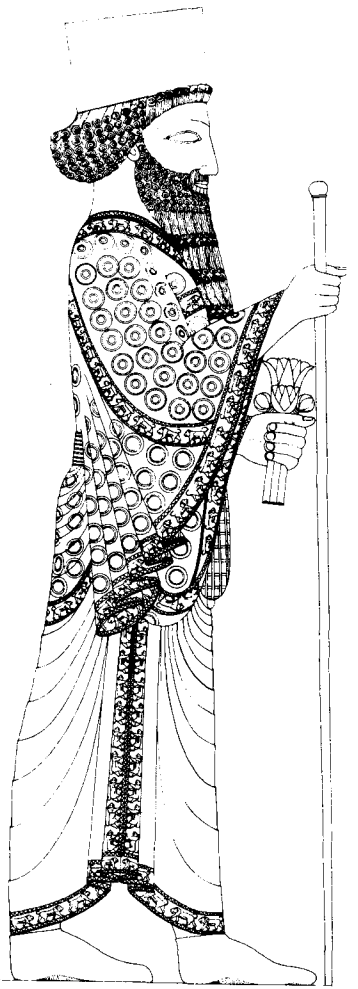
of dependent nations. Moreover, since an Oriental people's religion is, in most if not in all instances, the depositary of that people's past, upper-class Persians could arrive at an appreciation of the idiosyncracies and accomplishments of alien nations in a way that had been impossible for other governments and societies. Such an attitude of cosmopolitan understanding was entirely new in Asian intercultural relations, and the conclusion may not be too farfetched, therefore, that the Iranians subtly changed the Oriental concept of the past by viewing it as a nonparochial, comprehensive category, capable of accommodating the destinies and annals of many different peoples.



It is not clear whether an all-Persian legal code existed, but the solid legal framework and efficient administration of justice to which many texts testify (and upon which Herodotus commented with admiration) reflect a pronounced Persian aptitude for legal thought and the use of legal devices. As H. H. Schaeder reminds us,[11] because of Persia's religious policy, there could not have been a general, empirewide public law. As a minority among the ethnic groups encompassed in the realm, the Persians could not have ruled solely by force even if they had wanted to. Furthermore, the Persians realized at an early stage in their imperial mission that their cause would best be served by a watchful reliance on native authorities. That is to say, the system known to nineteenth- and twentieth-century European imperial administrations as "indirect rule" commended itself also to the Achaemenids, with the proviso,

[11] *Der Mensch*, p. 70. Schaeder assumes there must have been an all-Persian code.

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however, that the will of the monarch might override all local custom. And since most, if not all, of Persia's subject peoples were ruled by religions and did not recognize law as distinct from religion, this imperial policy of religious tolerance and delegated authority was tantamount to respect for indigenous law. What is significant here is that Persia herself did not confound law and religion. Rather, Persia's law-mindedness was part of the same complex of thought that had produced her history-mindedness.

Achaemenid Persia, then, was not simply a strong national state: she made the first deliberate attempt in history to unite heterogeneous African, Asian and European communities into a single, organized international society. As "King of Kings" in this world-state, each Persian monarch also tried to establish himself as the legitimate successor to the conquered kings. Thus it was that Cyrus publicly appeared in Babylon as the devoted servant of the religion of the defeated and accepted the throne as the gift of Babylon's own god Marduk. All Achaemenid monarchs, furthermore, honored the policy of returning and re-establishing exiled persons and local gods, and in encouraging, wherever possible, the continuation of existing forms of government. The Phoenician city-states thus continued to be governed by their own kings; the Egyptians had their chiefs; the Anatolian Greeks retained their model of the polis; and the Jews kept their high-priestly government. Indeed, no case study of Persian behavior toward satellite or subject groups illustrates the issues at stake better than the history of Persia's relations with the Jews. It is a historically documented fact, one which is also prominently cited in the Old Testament, that Cyrus liberated the Jews. According to Isaiah, the Jewish God commissioned the Persian king to free the exiles and subdue all other nations. According to Ezra, when Cyrus made the proclamation throughout the empire, putting in writing that "the Lord God of heaven hath given me all the kingdoms of the earth; and he hath charged me to build him a house at Jerusalem, which is in Judah" (King James version), he was stirred by the Lord. Later Persian policies — transporting the Jews back to Jerusalem; returning the vessels of their temple that Nebuchadnezzar II had taken; conveying timber for the temple from Lebanon to the Sea of Joppa (Jaffa); rehabilitating all their settlements; and instituting far-reaching local autonomy in judicial matters, instructing Ezra, for example, to proclaim the Mosaic law as the "constitution" of the Jewish community within the empire — all these probably evolved

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from a combination of motivations.[12] What is noteworthy or relevant about this record in modern times is that the Pahlavi regime's friendliness toward Jews in Iran as well as toward Israel was deeply rooted in the nation's pre-Islamic history.

Missing in all the annals of Iranian law and government, however, is any sense for the political freedom and dignity of the individual, whether Egyptian, Jew, Iranian or Greek. "History" and "law" had to do with kings and nations, not with the thoughts and actions of those outside the ruling elite. The absence of that dimension, in marked contrast to the ethical tenet that each individual is endowed with free will and the capacity to make moral decisions independently, may have been the fatal flaw in the character of this remarkable society, at least from the perspective of the modern West. In any case, the ideas and practices that had set Persia apart from the Orient and made of it a watershed between Eastern and Western cultures, were to atrophy under Darius's successors, as the older Near Eastern mythological orders revived and the non-Persian Orient slowly but ineluctably reclaimed its own.

IV

In light of the foregoing, well-documented experiences, surely it is not surprising that Iran's ruling intellectual and administrative elites, challenged in the twentieth century to respond to Occidental ideas of the secular nation-state, law, economic development, education and the conduct of international relations, should have chosen to return to their ancient heritage. Both Pahlavi shahs — and it must be noted that this royal family is of Shiite persuasion — were thus determined to reactivate the political and artistic achievements of the Achaemenid age in the minds of the citizenry in order to foster a spirit of national pride, strengthen and unify the country, and ready it for numerous far-reaching reforms, among them measures to curb the power of Shiite theologians over the thinking of the people. The first Pahlavi went out of his way to adapt Achaemenid styles of art and architecture to modern buildings (an effort exemplified by the National Bank of Iran in Teheran), to represent the glory of Achaemenid monuments on postage stamps and bank notes, and to subsidize scholars who might eliminate Arabic words from the Persian language and discover suitable ancient substitutes.[13]

[12] See Bozeman, *Politics and Culture in International History* (Princeton, N.J.: Princeton University Press, 1960), pp. 17-56.

[13] See Richard N. Frye, "The United States and Iran," in Lewis V. Thomas and Richard N. Frye, *The United States and Turkey and Iran* (Cambridge: Harvard University

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Similarly, studied efforts to anchor modernization in the revival of relevant Iranian traditions were carried out in public administration. In regard to the military, for example, great care was taken to maintain not only the identity but also the historic reputation for excellence of the elite "Immortals," the core of the standing Persian army. Herodotus tells us in his account of the Persian Wars that this prestigious guard was "known as the Immortals, because it was invariably kept up to strength: if a man was killed or fell sick, the vacancy he left was at once filled, so that the total strength of the corps was never less — and never more — than 10,000." (bk. 7.) Historical records and Persepolis sculptures depicting those martial heroes have imbued generations of Persians with pride in the continuous service of the nation's prestigious defenders — a fact that may explain why the general public was recently reported to have been disturbed at the news that revolutionary Islamic "guards" of Ayatollah Khomeini's regime had dared tamper with the physical integrity of such an Immortal.

The second shah accentuated those commitments and orientations. His coronation and the celebration of Iran's 2500th anniversary — events widely viewed in the United States as costly manifestations of an empty, pretentious exhibitionism — were calculated acts of statesmanship, meant to display to the nation and the world at large the greatness of Persepolis, of the tomb of Cyrus and of countless other treasures that had been for so long consigned to neglect and oblivion. They were now destined for careful restoration, a process that was nearing completion when the Islamic counterrevolution intervened. The same end motivated the decision, a few years ago, to backdate the Iranian calendar to the sixth century B.C. and thus supersede the Islamic reckoning of time, whereby generations of Persians have had to accept A.D. 622 (when Mohammed fled Mecca) as the year 1 in their history.

This last decision proved as offensive to the Shiite establishment as all other related reforms and policies, including, of course, the subtle yet deliberate affirmation of the virtues of Zoroastrianism, Persia's earlier faith. In fact, the calendar episode may have been the event that brought to public attention in 1976 an ayatollah who emerges from press accounts as an earlier incarnation of the Ayatollah Khomeini.[14] What is certain in retrospect is that the Islamic

Press, 1951), p. 214, for these examples and other interesting comments. For a comprehensive analysis of the pre-Islamic Persian past, see Frye, *The Heritage of Persia* (New York: Mentor, 1966).

[14] See the account by Eric Pace, "A Mystery in Iran: Who Killed the Mullah?," *New York Times*, May 12, 1976: "The personal influence of the mullah who was stran-

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power structure had remained well entrenched throughout the twentieth century.

Although it may be idle to speculate in 1979 whether the Pahlavi program of state- and nation-building might have succeeded if promoted more slowly and less stridently, it is not so to inquire how U.S. foreign-policymakers erred in their appraisal of modern Iran. Two images appear to have controlled our perception of the Iranian state: (1) that of an all-important ally capable of supporting our interests by protecting geopolitically vital space against the inroads of the Soviet Union and its auxiliaries and (2) that of an indispensable source of oil for ourselves and our allies, including Israel. Both concerns seemed vaguely linked to the belief that Iran, in this respect not unlike Turkey, had certain qualities assuring its viability as an independent state that were not so clearly discernible in other Middle Eastern areas. In contrast to earlier times, however, when it was a well-articulated American concern to assess, and if necessary support, state-sustaining potential in the international environment, we now tend to accept all states — whether of recent or ancient origin — as equally fragile or enduring. The Carter administration has thus been focusing on one variable only: a people's form of government. In this respect, moreover, the assumption rules that only democracy merits or makes for viability. The historical reality, amply documented from the era of the Assyrians onward, that the political destinies of all Near Eastern peoples have always been cast in the mold of the "power state," can thus be effectively screened today, all the more so as there is obviously no agreement in our policymaking circles about what "democracy" means.

Evidence had been accumulating in the years preceding the upheaval in Iran that the term "democracy" might be severed entirely from the context of government-by-rule-of-law — which had been the exclusive meaning of democracy in the American past — and that it might now be made to cover just about anything that the "people" or the "masses" appear to want in opposition to the policies their government espouses. That the Iranian govern-

gled, Ayatollah Shamsabadi, had several roots: himself a Shiite, he was said to be descended from the Prophet Mohammed, he was the son of another well-known ayatollah, he supervised the financial affairs of theological centers here [Isfahan] and in Qum, he oversaw a group of mosques in the Isfahan area and, at the age of 78, he had a long-standing reputation for piety and honesty. A dignified figure with a broad, dark beard, he lived in a humble two-room house in an unfashionable quarter of this city. . . ." The ayatollah had been strangled, and a variety of purported killers were blamed at the time, among them Bahais, Kurds or other adherents of Sunni Islam, the lover of the ayatollah's young wife, Marxist terrorists seeking to weaken the shah's regime and exacerbate discord in society, and the state's security forces.

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ment was a despotic monarchy no doubt contributed to official acquiescence in the reversal of democracy's meaning: "monarchy" is a bad word in the American experience; "republic," in contrast, is a good one. This deferential trust in nomenclature together with blindness to the patterns of culture that set Middle Eastern societies apart from the American nation, seem to have kept too many of our modern spokesmen from seeing that the "people" were generally better off — in Iraq and Afghanistan, for example — under their Islamic kings than under those who slew the monarchs in order to establish their own lawless dictatorships under such titles as "People's Democracy" or "Islamic Republic."

The Carter administration's Iranian disposition (it cannot be called a policy) was ambivalent to say the least. On the one hand, there certainly was the realization that a pro-American, pro-Western Iran was the capstone of our strategic design in the Middle East and, therefore, a vital link in the chain of our worldwide security arrangements. On the other hand, one finds what can only be described as an obstinate, even irrational, insistence to embarrass the one internationally prestigious ally we had in the region; and in the measure that we accomplished this, of course, our own strategic design was invalidated.

The main mechanism upon which Washington's foreign policy elites relied, as they gradually achieved this perverse yet evidently willed objective, was Carter's human rights "policy." Heedless of the threats that had been accumulating steadily on Iran's northern and eastern frontiers — which, lest we forget, had been recognized also as the boundaries of our own security zone — and unconcerned about the nature of Iran's Islamic and pre-Islamic orientations toward the rights and obligations of citizens, we chose to indict the Teheran government publicly, time and time again, for violating norms and values unique to Western civilization. One of the last of these exercises in studied self-righteousness occurred *ex post facto,* as it were — namely, after the Pahlavi government and its immediate successor, the Bakhtiar government, had been duly overthrown so that a theocratic republic might be established in Iran. Speaking in a ceremony at Washington in honor of Black History Week, the U.S. ambassador to the United Nations explained that the Iranian Revolution had been brought about largely by 25,000 to 50,000 Iranians who had learned about democratic processes as students in this country and then proceeded to apply their new perceptions in their own society. "We should not be afraid when people begin to feel a sense of their own power," the ambassador said, add-

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ing that he felt a close sense of identification with Iranian demonstrators because their beliefs were similar to those of the American civil rights movement.[15]

Reflection upon the causes of America's recent diplomatic failures in Iran (and elsewhere in the non-Western world) suggests strongly that "strategic thinking" has been assigned too narrow a range by our regnant foreign policy elites. Plans to bolster the defenses of friendly or allied governments or to assure our supplies of oil and other needed material resources are certainly necessary and thus deserving of careful planning. However, they are liable to be unreliable, short-term political arrangements if they are not integrally linked to a true perception of the other nation's total configuration as a culturally discrete state.

Foreign-policymakers, including the newly formed task force discussed at the beginning of this paper, would also be well advised to stress the search for affinities rather than antipathies in the political cultures of the United States, on the one hand, and actual or potential allies, on the other. If this had been America's orientation in her relations with Iran, if our diplomatic vanguard had been assigned the task of gathering intelligence in the Department of State library, we would no doubt have discovered certain correspondences in Western and Iranian philosophical and religious thought that would have inclined us to give Teheran more constructive, and hence more acceptable, advice than that which has been pouring forth from Washington in the past few critical years. These extended dimensions of strategic thinking are sorely missing today.

[15] *New York Times*, February 3, 1979.

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INDO-AMERICAN RELATIONS: THE POLITICS OF ENCOUNTER

by Norman D. Palmer

The closing year of the present decade is an appropriate time for a reappraisal of the state of Indo-American relations, and for a cautious look at the future of those relations. In the past, they have been characterized by many ups and downs; in the 1970s, the downs have perhaps been more apparent than the ups. This was especially true in 1971, when the U.S. position during the crisis in South Asia was described as a "tilt toward Pakistan," and during the period of the Emergency in India (1975-1977). In early 1977, with changing governments both in the United States and in India, a definite improvement in relations seemed to be in the offing. On the whole this anticipated improvement occurred; but the ups and downs have continued. One may generalize that Indo-American relations are by no means as good as official spokesmen, both Indian and American, insist they are, and that they are by no means so bad as many nonofficials, both Indian and American, seem to believe.

Differing Appraisals

It is a simple task to document the relative euphoria of Indian and American officials and the relative pessimism of many nonofficials. Shortly after he became India's ambassador to the United States, for example, Nani Palkhivala said that he could not remember a time when relations between India and the United States had been better. In the joint communique issued on June 15, 1978, at the conclusion of the official visit to the United States by Indian Prime Minister Morarji Desai, Mr. Desai and President Carter agreed that there had been "a significant improvement in bilateral relations over the past year."[1] Many other statements in the same vein are on record. On the other hand, many Indians and Americans in private life are concerned both about the superficiality and the

[1] The text of the joint communique can be found in *India News*, June 19, 1978, or in the major Indian newspapers for June 16, 1978.

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limited nature of contacts between Indians and Americans, and about the deep gulfs that separate the two peoples, stemming from continuing misunderstandings and from basic differences in outlook and values as well as in foreign and domestic orientation. In September 1977, for example, shortly after the plans for President Carter's visit to India were announced, Girilal Jain, one of India's best-known journalists, wrote: "cooperation between two major countries like the United States and India . . . calls for a community of outlook and interests which is plainly missing in this case. *Pax Americana* and Indian nationalism are once again at odds with each other and this time in a strikingly different context."[2] An extreme appraisal, perhaps more clever than accurate, is offered in Ved Mehta's *The New India:* "One observer of Indian-American relations has said, You know that the American Ambassador has a dog. But the American dog has not met a single Indian dog in the eighteen months it has been here. That's about the state of Indian-American relations right now."[3]

Indo-American Relations in the Seventies

In assessing the present state and future prospects of Indo-American relations, one obviously should be mindful of the rather checkered story of those relations in the past, especially since World War II. The immediate background can be dated from the early 1970s. U.S. relations with India reached a low point in 1971, as a result of the "tilt toward Pakistan," a much more complicated and less biased approach than the phrase suggests.[4] Relations improved somewhat in 1972-1975, but they deteriorated again during the Indian Emergency of 1975-1977. While the United States refrained officially from criticizing the eclipse of democracy in India, a great deal of criticism of Mrs. Gandhi and her government was evident in the American press and among influential groups in the private sector. Indians in the United States were sharply divided in their views of the Emergency; but some Indian groups were very vocal in their opposition to the new direction in India, and several opponents of the Indian government came to the United States to present their case against Emergency rule. Mrs. Gandhi lashed out

[2] "President Carter's Visit: *Pax Americana* vs Indian Nationalism," *Times of India*, September 28, 1977.

[3] New York: Viking, 1978, p. 12.

[4] For very conflicting interpretations, see Jack Anderson, *The Anderson Papers* (New York: Random House, 1973) and Leo E. Rose, "The Superpowers in South Asia: A Geostrategic Analysis," ORBIS, Summer 1978, pp. 395-414.

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frequently against alleged CIA and other American "machinations" in Chile and elsewhere (presumably including India), and she was quite indignant over U.S. criticisms of her policies. It was, at best, a "holding period" in official and unofficial U.S.-Indian relations.

For obvious reasons, South Asia did not figure prominently in the American presidential campaign of 1976. Unlike the Republican platform, however, the Democratic platform contained a substantial section on South Asia, making the following major points:

> India has now achieved a considerable degree of hegemony over the subcontinent. . . . future American policy should accept this fact.
>
> The degree to which American interests are involved here and the extent to which American policies can influence trends in this region will both remain debatable issues. Unquestionably, however, some of the major battles in the global war against human misery must be fought here with broader repercussions.
>
> The United States has every reason to hope that India is successful in its struggle for economic improvement and political unity. . . .
>
> In general, the U.S. should pursue a low-posture policy in South Asia. We should participate as a mediator in local disputes only when all parties are agreed on the usefulness of our presence and we ourselves see some possibility of positive assistance.[5]

In July 1976, after the two national conventions, the *Times of India* expressed the view that the basic approaches of the two American political parties toward South Asia had much in common, even though the editors added, "we can only applaud the sense of realism and fairness displayed by the Democratic Party":

> In a broad sense the Democratic Party's views on America's future relations with the countries of South Asia do not appear to be markedly different from those of the Ford administration. Both agree, for instance, on India's pre-eminent position in the sub-continent and on the necessity to come to terms with this reality. Similarly, both want the U.S.A. to adopt a profile which is in keeping with its limited interests in this part of the world. They seem to share the belief that South Asia is of importance to the United States primarily, though not exclusively, because it is a major element in the Sino-Soviet quarrel. Indeed, both are convinced that it would be to Washington's disadvantage if any one of the states in the region were to weaken or disintegrate. . . . Thus the rival parties in the presidential elections do not seem to place South Asia high up on their list of foreign policy priorities. And when they do, it is largely to emphasize their willingness to establish economic and technological cooperation on a level which is acceptable to all sides.[6]

The foregoing commentary, by one of India's leading

[5] Quoted in *Times of India*, July 21, 1976.
[6] "More Realistic" (editorial), *ibid.*, July 26, 1976.

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journals, reflects some generally prevailing Indian views of U.S. attitudes toward South Asia: that the United States, for example, regards the countries of the area as "objects" rather than "subjects" in the international system; that relations with these countries are given a relatively low priority and are viewed mainly in terms of larger geopolitical considerations, especially those relating to the U.S. preoccupation with the Soviet Union and China. A recognition exists, however, that the United States believes it has a stake in the survival and viability of the countries of South Asia, and that it recognizes, at long last, the "reality" of "India's pre-eminent position in the sub-continent." Yet, after all these comments of a geopolitical nature, the editorial ends with the observation that when the major American political parties do pay attention to South Asia, they are mainly concerned with "economic and technological cooperation." This raises intriguing questions about the mix of U.S. interests and policies in South Asia.

As might be expected from the prevailing "Republicans favor Pakistan, Democrats favor India" assumptions in South Asia, Mr. Carter's victory in the U.S. presidential elections of November 1976 was greeted with apprehension in Pakistan and expectation in India. Carter's desire for improved relations with India, and his special interest in that country (based, to be sure, more on his general sympathies for Third World countries and on "Miss Lillian's" experience in India as a Peace Corps volunteer than on any profound understanding of the complexities of Indian society), were well known and often expressed; and this interest and desire were reciprocated increasingly in official and unofficial Indian circles.

The moves toward an improved climate were evident even before the change of government and the end of the Emergency. Even Mrs. Gandhi, who had often been an acerbic critic of U.S. policies and practices, began to modify her criticisms and to express more frequently an interest in improved Indo-American relations.

1977: The Impact of Political Change

After the March 1977 elections in India, the improvement in relations became more apparent and contacts became more frequent. The end of the prolonged Emergency and the restoration of democratic freedoms came as a relief to most Americans who were at all concerned with such matters; and, while Americans were rather baffled by Morarji Desai's enigmatic personality and personal

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lifestyle, they respected him for his experience and integrity. His views on economic and foreign policies seemed to be much more congenial than those of his predecessor.

With the change of government, official visits were exchanged between the United States and India with almost unprecedented frequency. The U.S.-India Joint Commission and its subcommissions, which had been quite inactive during the Emergency, were given a new impetus. Indeed, during a visit to New Delhi in July 1977, Undersecretary of State Warren Christopher said that the United States had decided "to look to India as the leader of South Asia," a statement that pleased the Indians but drew an official protest from the government of Pakistan.

Even the U.S. Congress began to show a more active and sympathetic interest in India. In late March, 1977, in a gesture showing approval of the political change in India, the Foreign Assistance Subcommittee of the Senate Foreign Relations Committee recommended repeal of a measure adopted by the Congress in July 1974, in reaction to India's nuclear explosion, requiring the U.S. representative to the World Bank to vote against low-interest loans to India by the bank's affiliate, the International Development Association.[7] In November, seven members of the Asian and Pacific Affairs Subcommittee of the House Committee on International Relations visited India "as part of a new Congressional effort to get acquainted with India."[8]

The Official Visits of 1978

The highlights of the exchange of visits on the official level, of course, were President Carter's visit to India in January 1978 and Prime Minister Desai's visit to the United States in June. President and Mrs. Carter received a warm welcome in India. On his arrival, Carter stressed a theme that pervaded all his public remarks and those of Prime Minister Desai: namely, that the United States and India were linked by common moral and democratic values. The crowd that assembled to listen to the president at a public meeting was the largest he had addressed in person during his first year in office, and his address to the Indian Parliament was interrupted repeatedly by "desk-thumping, foot-stamping applause." The "Delhi Declaration," however, issued at the conclusion of President's Carter's visit, although it was described by the Indian ambassador to the

[7] M. V. Kamath, "US Reverses Stand on Aid to India," *ibid.*, April 1, 1977.
[8] "US House Team to Tour India," *ibid.*, August 3, 1977.

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United States as "a document of historic significance," attracted little attention either in India or the United States.

In private conversations between President Carter and Prime Minister Desai, a number of differences remained unresolved. Most of these apparently centered on different positions with regard to nuclear energy. In his speech to the Indian Parliament, Carter announced that the United States would resume shipments of enriched uranium for the Indian nuclear power plant at Tarapur, near Bombay; but he seemed dissatisfied with Desai's reaction both to this announcement and to Carter's efforts to get assurances regarding nuclear safeguards. An embarrassing situation resulted from a private conversation between Mr. Carter and Secretary of State Vance which, unknown to the speakers, was recorded by a radio technician. Carter said to Vance: "I told him [Prime Minister Desai] I would authorize transfer of fuel now. . . . it didn't seem to make an impression on him." Then Carter added: "When we get back I think we ought to write him another letter, quite cold and very blunt." As one correspondent noted, "Spokesmen of both the President and the Prime Minister spent much of the rest of the day trying to explain these remarks."[9]

One could conclude that the warmth of the public reception given to President and Mrs. Carter reflected the improved climate of Indo-American relations, whereas the private discussions reflected the continuing differences. The same conclusion is suggested by the varying Indian reactions to Mr. Carter's visit: Ambassador Palkhivala declared that the visit marked "a great turning point in the relations between the two countries,"[10] while the *Times of India*, perhaps India's most prestigious newspaper, characterized it as "Not Much of a Success."[11]

Desai's official visit to the United States, from June 9 to June 15, 1978, generally was regarded by Indians, and, apparently, by most Americans, as well, as very much of a success. Mr. Desai talked to large audiences in New York, California, Nebraska and Washington, D.C. He addressed the Special Session on Disarmament of the UN General Assembly, and the National Press Club in Washington. He appeared on the popular television interview program "Meet the Press." He met with members of the House of Representatives and the Senate as well as with President Carter and other top leaders. In all his talks and discussions, Desai staunchly defended

[9] Dennis Farley; in the *Wall Street Journal*, January 3, 1978.
[10] Address in Bombay, January 6, 1978.
[11] The title of the lead editorial in the issue for January 5, 1978.

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India's position on nuclear energy — thus demonstrating, as a headline in the *Times of India* suggested,[12] that India was "beyond arm-twisting" in that area — but Desai also insisted, as he told the members of the National Press Club, that "Indo-US friendship is something bigger or of greater moment to the world and its problems."[13] In the joint communique issued at the conclusion of his visit, the Indian prime minister and the American president agreed that "the dialogue between the two countries" on nuclear issues "will continue"; but they also gave attention to "the development of economic exchanges between their two countries" and to "questions of world peace."[14]

Issue-Areas

The swing from coolness and restraint to mutual courtship and near euphoria since the regime changes in the United States and India is a significant and promising development; but it should not be allowed to conceal the continuing misunderstandings, limited contacts, divergencies of policy and approach on many issues, and new complications. Official spokesmen for both countries are inclined to emphasize the good and gloss over the bad; while many private citizens, both Indians and Americans, feel that the problems are much more significant and should be the focus of greater attention and concern on official and unofficial levels. Even in such happier times as the present, they believe, Indo-American relations are very tender shoots that need to be nurtured carefully if they are to develop into sturdy plants.

The continuing differences and new complications in U.S.-Indian relations are readily documented by exploring the central issue-areas. Three of the most important are the economic, the nuclear and security, and the educational and cultural areas.

(1) *Economic Relations*

Recently, Bidyut Sarkar, an assistant editor for one of India's most influential economic journals noted: "I have come to the conclusion that the economic content of Indo-U.S. relations is the area most capable of development — given differing approaches to political and security matters which no change in government in

[12] "India Beyond Arm-Twisting," *Times of India*, June 15, 1978.
[13] For the text of Desai's June 14 address at a National Press Club luncheon, see *India News*, June 19, 1978.
[14] *Ibid.*

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New Delhi can ignore — and yet least given heed to, especially by the Indians. For the United States the Indian market is potentially the largest — China being a class alone — and for India the U.S. is the biggest source of foreign exchange and technology. Yet the gulf remains."[15] In an article entitled "U.S. and the Third World: New Opportunity for India," published in late November, 1977, this same economic analyst offered some thought-provoking comments and suggestions:

> Even as the North-South dialogue continues at world councils, developing nations like India should pay greater attention to the U.S. at the bilateral level — not only as a market place for goods but also as a forum for ideas on issues of Third World concern. . . .
>
> It should be part of India's economic diplomacy to persuade the Carter administration as also Congress, labour and business groups, that a larger flow of credits to, and more liberal trade opportunities for, developing nations such as India would benefit the U.S. just as much as the recipients stood to gain. . . .
>
> The drive for a bigger share of the U.S. market cannot be separated from the campaign to create a climate in the U.S. that would support the case for greater access of Indian goods. . . . it would be to India's advantage to bring a new combination of seriousness — and flexibility — in economic relations with the U.S., whether dealing with Congress, administration, labour or business. . . . Labour and business at large in the vast U.S. are not really involved with India at present, its economic impact being somewhat inconsequential on their lives. They can, however, be drawn into a partnership based on co-operation with one of the growing economic powers of the world and on mutual advantage for both nations.[16]

Yet, in the economic realm, as elsewhere, the Indo-American relationship is a most unequal and unbalanced one. The United States is presently India's principal trading partner, receiving some 13 per cent of Indian exports and supplying more than 25 per cent of India's total imports, whereas trade with India is an infinitesimal part of total U.S. foreign trade. Indeed, India's contribution to total U.S. imports declined from 1.2 per cent, in 1966, to 0.53 per cent, in 1977.

Economic issues have been most extensively discussed by representatives of the United States and India, both officially and unofficially. A brief summary of the "multi-lateral and bilateral economic, trade and investment issues" discussed at the October 1977 meeting of the Economic and Commercial Subcommission of the U.S.-India Joint Commission will serve to illustrate the multitude of topics on the agenda. According to the official communique re-

[15] Letter to the author from Bidyut Sarkar (Calcutta, September 28, 1978).
[16] *Economic Times*, November 29, 1977.

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leased at the end of that meeting, "The Subcommission took note of the fact that it had an important role to play as a part of the steering mechanism required to deal with the complicated problems of an interdependent world." It noted, also, "an identity of interest between the two administrations" in supporting "rural development programs geared to meeting the basic human needs of the poorest sections of the population," and it "discussed the prospects of renewal of U.S. development assistance to India." It "reviewed Indo-U.S. trade and took note of the increasing export levels and the elimination of the trade balance adverse to India." The U.S. delegation welcomed "the liberalization of India's import regime," voiced hope for further liberalization, and reaffirmed the U.S. government's "commitment to an open international trading system." India's delegation emphasized "the need for increasing and diversifying Indian exports to the U.S." The subcommission discussed "a wide range of investment matters," and the two delegations also "exchanged views on the major international economic issues in the post-CIEC [Conference on International Economic Cooperation] period," with a focus on "the North-South dialogue."[17]

The subcommission's report does indeed point out the "wide range of multi-lateral and bilateral economic, trade and investment issues" considered important by the United States and India. But it does not even hint at the vast differences in outlook and views on many of those issues. A similar "accentuation of the positive" characterized the joint communique issued at the end of a two-day meeting of the Joint Executive Committee of the Indo-U.S. Business Council in late September, 1977. As a special correspondent for the *Times of India* reported, "Behind the bland joint communique is a story of sharp differences between the Indian and U.S. sides."[18] In response to criticisms that members of the American group leveled at the 1973 Foreign Exchange Regulation Act, which the Janata government has chosen to interpret rather strictly, Indian Finance Minister H. M. Patel stated bluntly that the act was "not an ideological football to be tossed around but a well-considered legal instrument intended to safeguard India's interests."[19] The Washington correspondent for the *Times of India* reported that Mr. Freeman, chairman of the U.S. section of the council, engaged in "heated exchanges with his Indian colleagues" and "said that he had hoped

[17] The report of the subcommission is to be found in *India News*, November 7, 1977.

[18] "Calls to Boost Indo-US Joint Ventures," *Times of India*, September 30, 1977.

[19] M. V. Kamath, "India's Curbs on US Investment to Stay," *ibid.*

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that the Janata party government would give a new orientation to India's economic and investment policies, but Mr. Patel's interpretation of those policies belied this hope." According to the same correspondent, "A leading American businessman was also reported to have said that it would be unrealistic for India to expect U.S. businessmen to participate in India's development process if their requirements of fairplay, 'profitability,' productivity, and efficiency were not met in India because of governmental restrictions or other factors." Two Indian members of the Joint Executive Committee staunchly defended the policies of their government. The charges made against India by Mr. Freeman, and by others, were seen as "discouraging, hostile and impractical." One Indian member "warned that, given the present approach of the U.S. business community, it would be difficult to find a meeting ground if some appreciation was not shown for India's needs and priorities."[20]

One charge, made by the American members of the Joint Executive Committee and indignantly repudiated by the Indian members, was that "the treatment accorded to the I.B.M., Coca-Cola and drug manufacturers was unfair discrimination against foreign firms and intended clearly to protect Indian industry."[21] This event called attention to the treatment of two major American multinationals operating in India and introduced new complications in U.S.-Indian relations.[22] Despite the obvious aversion to foreign multinationals on the part of several key members of the Janata government, including the minister for industries, and despite the treatment of Coca-Cola and IBM, Indian spokesmen insist that India is hostile neither to multinationals nor to foreign collaboration in India's development.

U.S. bilateral economic aid to India, which had amounted to more than $9 billion, was suspended in 1971 and was not renewed, except for rather small special grants (mostly for food relief) until August 1978. In the last years of her rule, Mrs. Gandhi seemed to feel that foreign assistance included too many "strings" and that India should try to get along without it; and anti-foreign aid sentiment in the United States also became increasingly strong. In 1977,

[20] *Ibid.*
[21] *Ibid.*
[22] For details of the Coca-Cola case, see "Soft Drink Formula Available: George," *Times of India*, August 9, 1977; "No Coca-Cola?" (editorial), *ibid.*, August 11, 1977; "Fernandes Callous, Say Coca-Cola Staff," *ibid.*, September 12, 1977; "Coke, Disincentive to Investor: Envoy," *ibid.*, September 11, 1977; and "Palkhivala: Coke Only Minor Irritant," *ibid.*, September 13, 1977. On the IBM case: B. Chandramohan Rao, "IBM Imported and Sold 'Junk,'" *ibid.*, October 25, 1977, and *Economic Times*, November 16, 1977.

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however, in response to cautious Indian inquiries, the United States showed some willingness to resurrect its aid program; and on August 26, 1978, Washington resumed development assistance to India on a limited scale: a commitment of $60 million in three separate agreements.

This is a rather touchy issue. It is an inescapable truth, however, that, as Secretary of the Treasury Michael Blumenthal stated in a speech to the World Bank and the International Monetary Fund in September 1977, "A substantial increase in the transfer of official capital to developing countries is necessary."[23] Most of that transfer presumably will be made through international development banks — to which, as Mr. Blumenthal pointed out, Congress has authorized more than $5 billion — but some will also have to come from bilateral aid. American aid programs have to overcome not only a growing "aid weariness" but a growing conviction in the United States that the aid that has thus far been provided has not been effectively, or even honestly, used and that it has gone mostly to the favored few in the developing world. "I am convinced," declared Blumenthal, "that foreign assistance will not have the support of the American people unless they perceive it as making a real contribution to improving the lives of the poor."[24] Presumably this is one of the major objectives of the Janata government, as it was of Mrs. Gandhi; nevertheless, the new regime in India has had little success in "improving the lives of the poor."

(2) *Nuclear Energy and Security*

Differences continue over a variety of questions relating to nuclear energy and national security, despite a change of administration in each country. India is still critical of both superpowers, especially the United States, for their "power politics," their heavy expenditures on arms, their weapons sales to many countries, their alliance systems, their failure to end the arms race, and their economic pressures on other countries. Prime Minister Desai is as firm as Mrs. Gandhi ever was in insisting that India will not adhere to the Nuclear Nonproliferation Treaty, despite heavy pressure to do so from both superpowers, unless the major nuclear powers accept a "basis of equality."

In 1978, four events in Indo-American relations received far more attention in the Indian press than any other. Two of these,

[23] Quoted in *War on Hunger*, November 1977, p. 21.
[24] *Ibid.*

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as might be expected, were the official visit of President Carter to India and that of Prime Minister Desai to the United States. The other two were related to the nuclear issue. One was the strange case of a lost nuclear device in the Himalayas. The loss, revealed in India in 1978, was reported by New Delhi in such a way as to convince large numbers of Indians, who were generally disposed to accept such charges, that in 1965 an American team, organized and directed by the CIA, had planted a remote sensing device with a nuclear power pack on the slopes of Nanda Devi, one of the world's highest mountains, near the headwaters of the Ganges, and that because of a blizzard at high altitudes, the team had carefully cached the device; the following year, when another expedition tried to locate the device, the search proved fruitless. Charges were levied against the United States, especially against the CIA, of conducting clandestine operations on Indian soil and polluting the waters of the Ganges, exposing people in large areas of the country to radioactive fallout. Prime Minister Desai, however, defused the issue with a reasoned statement in the Lok Sabha on April 17. An investigation, said Desai, had revealed that the decision to plant a nuclear device in the high Himalayas had been made by both governments "at the highest level," that Indians had participated in both expeditions, and that Indian scientists were quite sure that no significant radioactive fallout would emanate from the lost power pack. Thus, the episode proved to be a tempest in a teapot, but the initial reaction in India showed how willing many Indians were to believe the worst about the United States, and how sensitive any nuclear issue could be.[25]

The other nuclear issue, which received far more attention and which was probably the single most widely publicized aspect (in India) of Indo-American relations during 1978, was the question of the U.S. supply of enriched uranium for the atomic power plant at Tarapur. Under an agreement to cooperate in the civil uses of atomic energy (the agreement entered into force in 1963), the United States had agreed to supply enriched uranium for the Tarapur plant for thirty years; but since India's "peaceful nuclear explosion" of May 1974, Washington has been reluctant to supply

[25] The story of this misadventure was originally prepared for the May 1978 issue of *Outside*, a *Rolling Stone* publication in the United States; for excerpts, see *India Times*, June 5, 1978. The various reactions to the revelations are suggested by the headlines and editorial titles in the *Times of India*: "CIA Mischief in Himalayas?" (editorial), April 14, 1978; "N-Monitors Abandoned by CIA on Himalayas," April 14, 1978; "India Queries US on N-Device," April 14, 1978; "Serious Matter, Says Vajpayee," April 15, 1978; "N-Device Hazard 'Very Minimal,'" April 15, 1978; "No Use Blaming CIA: PM; N-Device Installed with India's Approval," April 18, 1978; "By Consent" (editorial), April 19, 1978; "CIA Caper Puts Delhi in Poor Light," April 19, 1978.

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that uranium until it receives satisfactory assurances in regard to nuclear safeguards and the handling of spent fuel from Tarapur and other Indian nuclear plants. As noted, President Carter, in his January 1978 address to the Indian Parliament, announced that enriched uranium would be made available for the Tarapur plant, but apparently he and Prime Minister Desai disagreed sharply over the question of safeguards.[26] Apparently, also, Desai refused to give the American president a clear answer on whether India would ever use the plutonium produced at Tarapur for the manufacture of atomic weapons, although he has stated repeatedly that India is interested only in the peaceful use of nuclear energy.

In the lengthy joint communique issued by President Carter and Prime Minister Desai at the conclusion of the latter's June 1978 visit to the United States, one sentence received the widest coverage in the Indian press. "President Carter," the communique stated, "pledged to make every effort consistent with American law to maintain fuel supplies for Tarapur and continue nuclear cooperation with India."[27] Carter's pledge coincided with a vote in the House Committee on International Relations approving the shipment of 7.6 million tons of enriched uranium to India.

Some enriched uranium will thus be available to India, but uncertainty over the American supply and differences over Tarapur and other nuclear issues remain. Fortunately, in India as well as in the United States there is a growing feeling that, as the *Statesman* suggested shortly after Desai's American visit, this issue "should not be allowed to distort the whole gamut of relations between the two major countries."[28]

Differences also exist over the continuing naval presence of the superpowers, especially the United States, in the Indian Ocean. India is a strong advocate for the idea of the Indian Ocean as a "zone of peace," free from superpower rivalries and conflicts. She objects especially to the existence of foreign bases in the Indian Ocean. Even before Soviet-Somali relations soured, India seemed more concerned with the American "base" on Diego Garcia than with the Soviet "base" at Berbera. New Delhi welcomed Carter's advocacy of demilitarization in the Indian Ocean, but its suspicions that this was not likely to be more than pious rhetoric seemed confirmed when the American president soon began to talk about the

[26] See "Carter, Desai Disagree on Nuclear Fuel," *Philadelphia Inquirer*, January 2, 1978.

[27] *India News*, June 19, 1978.

[28] Quoted *ibid.*, June 26, 1978.

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more modest objective of "first freezing the present circumstances." India also welcomed talks between the United States and the Soviet Union on Indian Ocean issues; those talks began in June 1977 but seemed to lead to no concrete result. New Delhi still has doubts about superpower intentions toward the Indian Ocean and still believes that this ocean cannot truly be a "zone of peace" so long as outside powers carry on naval or any other military operations in the area. The Indian viewpoint was clearly stated in the Carter-Desai joint communique: "The President described the state of talks between U.S.A. and U.S.S.R. on the stabilisation of their military presence in the Indian Ocean. The Prime Minister expressed the hope that these discussions would continue and result in the eventual removal of all great power military presence in the Ocean."[29]

(3) *Educational and Cultural Cooperation*

Despite a wide variety of educational and cultural contacts and exchanges between Indians and Americans, those contacts and exchanges are often quite brief and superficial and do not even begin to promote the real "encounter between civilizations" that should occur between two such complex societies. Present trends, moreover, are not very encouraging.

In the fall of 1977, before he left India to take up his new post as India's ambassador to the United States, Nani Palkhivala said that he would try to promote and deepen cultural, as well as political and economic, relations between the United States and India.[30] He has done his best to carry out that pledge; but there are some disadvantages to being India's official representative, and he cannot possibly develop extensive contacts with many Americans and Indians who are concerned about promoting meaningful cultural-educational relations between the *people* of India and America.

The U.S.-India Joint Commission also labors under some handicaps. Although the commission and its three subcommissions have been active, except during the period of the Emergency, they have been limited by their constitution and by their mandate. There seems to be an unfortunate impression that nearly all aspects of Indo-American educational and cultural exchange should come under the mandate of those bodies. Official and semiofficial bodies are doubtless necessary to provide the essential governmental and financial support for such exchange, but they are not the proper agen-

[29] *Ibid.*, June 19, 1978.

[30] "Palkhivala Will Try to Be Cultural Envoy Too," *Times of India*, September 12, 1977.

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cies for really extensive and meaningful intercultural contacts and relations. These must take place mainly on unofficial levels, between peoples with similar interest and on a basis of cooperation, mutual advantage and stimulation.

In this sense, the record of Indo-American cooperation and collaboration falls far short, even of minimally desirable goals. Moreover, there seems to be little chance of reaching those goals without a radical reorientation in both countries. Both nations, for various reasons, are becoming more inward-turning and nativistic. The governmental, financial and psychological obstacles, even to limited educational and cultural programs, remain; occasionally there are small advances and occasionally there are setbacks. In the United States, less and less support is available for such programs, whether it comes from government, foundations, colleges and universities, or research centers. Burgeoning legal as well as financial obstructions are being placed in the way of those thousands of Indians who somehow still manage to come to the United States for study and research. In India, the old bureaucratic and psychological "hang-ups" persist, and in some respects the situation has become more discouraging: antiforeign, especially anti-American, sentiment in certain Indian circles, including important supporters of the present Janata government, seems to be growing.

To achieve really deep-rooted relations between India and the United States, much more extensive and more meaningful interactions and cooperation in educational and cultural areas are essential. Not enough is being done. Most of the responsibility must fall on private organizations and individuals, with backstepping support from governments and public officials.

A challenging statement of the problems and the potentialities has been made by Minister for External Affairs Atal Bihari Vajpayee:

> What we share are not just the vast benefits of mutual friendship in the realm of commerce and science and technology. There is a shared faith that our national involvement in the world must contribute to international stability. This affords the possibility of cooperation and harmonisation in the entire gamut of international problems, not as an alliance against others, but with goals for wider advantage. This harmonisation and understanding between the United States and India cannot be confined to the level of inter-Governmental relations. In our democratic societies, national public opinions must reinforce our efforts in understanding each other, both nationally and internationally.
>
> Having flattered the United States with expectations and anxieties, the intellectuals and academicians in India have never downgraded the studies

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of the United States and the West. Tens of thousands of students search for knowledge, modern technology and even advanced study of the social sciences in the United States. . . . Notwithstanding the expense and new restrictions, they continue to visit the United States. This, alas, is one-sided tilt or preference.

We should like to see a revitalised interest among American media, academics and social scientists in the open and not so dramatic experiments of democracy. We demand only respect and objectivity from students and visitors and we are confident that it will be discovered that there is vitality beyond exposed failures and weaknesses.[31]

The sad fact is that these interesting observations — especially interesting because they come from the foreign minister of India, and one who once was the leader of a political party widely regarded as essentially a Hindu nationalist party — suggest levels of "cooperation," "harmonisation," and "understanding" that are far above those achieved in the past. And they are unlikely to be reached, even with much greater public and private effort in both countries. There can be but little hope that "national public opinion" in each country will rise to the challenge, or have truly significant and large-scale interactions with one another. The reasons are very obvious why more attention is given in India to "studies of the United States and the West" than is being given in the United States to studies of India, and why the flow of Indian students to American centers of learning is not matched by a comparable flow from the United States to Indian educational institutions. One can sympathize with Mr. Vajpayee's view that "American media, academics and social scientists" have given far too much attention to real or alleged "failures and weaknesses" and far too little to the "vitality" and "the open and not so dramatic experiments" of Indian democracy; but almost any report or evaluation of India's political, economic and social scene by an American journalist or scholar will probably be regarded as condescending, biased and subjective by many Indians, especially by those who occupy the seats of political power.

Indo-American Relations: An Appraisal and a Look Ahead

It is easy to be either very "bullish" or very "bearish" about Indo-American relations. Undoubtedly those relations will continue to be characterized by frequent ups and downs. Frequent expressions of good will and mutual interests by official spokesmen cannot conceal the relative superficiality and the lack of real warmth

[31] Vajpayee, "Democratic Revolution and Foreign Policy," *India News*, December 26, 1977.

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or understanding in official relations. Nor can one conceal the limited contacts, the vast misunderstandings, or the differences in outlook and ways of life on the unofficial and personal level. No genuine encounter between the two civilizations has ever occurred, is occurring or is likely to occur. Official relations doubtless will remain formally good and correct, with some fluctuations in style and substance, but they will not be so close or cooperative as many Indians and Americans would like. Washington's view of the world is quite different in many respects from New Delhi's view. So, too, are the lifestyles, outlooks and values of ordinary Americans and Indians.

Except within the larger context of global considerations, such as North-South relations and the rivalries of the major powers, India will continue to be a relatively low-priority country for the United States. For India, the United States will inevitably have a higher priority, both in positive and in negative ways. Most Americans will go on thinking about India, if they think about India at all, in terms of problems and human misery; and most Indians will go on thinking about the United States, if they think about America at all, under the influence of ambivalent feelings of attraction and repulsion. On both sides, the images will be mainly stereotypes bearing little relation to reality.

Toward the end of the Emergency period, an Indian scholar who teaches in Canada wrote: "With Washington, India needs a 'cooling off' period. The passage of time and inertia on India's part with the USA, as with China, can help induce a readjustment of perceptions and interests between culturally self-centered societies."[32] In actuality, the decade of the seventies, at least until 1977, has been just such a "cooling off" period, but the results have been less than happy, either for the United States or for India. Fortunately, a new climate has been created since the advent of the new administrations in Washington and New Delhi, ushering in a "warming up" period.

Of course, the danger exists that all the talk by top officials of both countries about the "new chapter" in Indo-American relations will create a false sense of euphoria and accentuate the unreality that colors those relations. Perhaps excessive optimism is as undesirable as excessive pessimism in international relations, particularly between such complex societies having such limited contact and so many basic differences as India and the United States.

[32] Ashok Kapur, "India and Asian Politics in the Seventies," *Indian International Centre Quarterly*, vol. 4, no. 23, 1977.

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Many hang-ups, both tangible and psychological, will continue to plague Indo-American relations. These cannot be removed by political cosmetics. Much depends on events in the United States and in India, and in the international system generally. The "new chapter" in U.S.-Indian relations may not prove to be much different from the chapters that have preceded it. In an improved climate, however, old difficulties, misunderstandings and differences, as well as new complications and problems, are more easily kept in perspective; for they can be discussed with frankness, tolerance and good will, and emphasis can be placed on areas of mutual interest, on ties that bind, on areas of agreement rather than of disagreement. As Vajpayee expressed it, "A new India is rediscovering its old personality about the same time when a new burst of idealism has gained focus of the new administration in the United States. . . . In this new beginning, it should be possible to place our relations on a basis where differences will never be allowed to loom larger than the community of purpose in the quest of our national and international goals."[33]

Improvements in political climate, like those in the physical climate, do matter. At the very least, they create conditions that are conducive to sanity and good health.

[33] Vajpayee, "Democratic Revolution and Foreign Policy."

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COLOR-TV SETS AND U.S.-JAPANESE RELATIONS: PROBLEMS OF TRADE-ADJUSTMENT POLICYMAKING*

by Ronald I. Meltzer

Current international trade relations have become severely strained as a result of significant trade imbalances and adjustment difficulties. These problems have resonated throughout the international trading system, generating domestic economic injuries and exacerbating political relations between affected countries. Moreover, present trade conditions — and governmental responses to them — threaten the viability of cooperative international trading arrangements that have evolved since World War II.

One of the most important and far-reaching cases of trade-adjustment difficulties has involved the United States and Japan over the sales of color-TV sets. In less than a decade, increasing Japanese exports have contributed to dramatic changes within the American television industry and market. For example, since 1971, over 60,000 jobs have been lost in U.S. color-TV facilities, and the number of American manufacturers has dwindled from twenty to five. In 1976 alone, Japanese exports grew by over 150 per cent, capturing about 40 per cent of the U.S. market — a figure that was at 15 per cent in 1975. Such sweeping import penetration prompted vigorous domestic attempts to restrict foreign supplies of color-TV sets. In seeking remedial action, American television manufacturers have employed a wide variety of legal pursuits, petitions and political pressures before numerous governmental bodies. As one observer has noted, the U.S. industry, in its efforts to gain import relief, reacted with a "shotgun approach of multiple jeopardy" against Japanese manufacturers.[1]

* A different version of this article was presented at the 1978 Annual Meeting of the International Studies Association.

[1] For comments by Harald B. Malmgren, former U.S. trade official, see the *New York Times*, May 18, 1977. For reports on Japanese export growth, see the *Wall Street Journal*, December 8, 1977.

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The attempts to impose trade restrictions on color-TV sets were initially resisted by the Carter administration and were scorned by Japan and other GATT members. But, in the face of mounting political pressures and economic hardships, the U.S. and Japanese governments negotiated an orderly marketing agreement (OMA) that limited substantially the number of Japanese color-TV sets exported to the United States. However, as will be seen, the OMA has not alleviated persistent U.S.-Japanese trade tensions in that area, nor has it solved problems within the U.S. television industry that gave rise to trade-adjustment difficulties in the first place. Indeed, it can be argued that a major impact of this approach has been a further extension and complication of this trade dispute.

Examining the color-TV case brings focus to some important policy problems confronting current international trade relations:

First, it indicates the difficulties of maintaining a liberal trading system in periods of high unemployment and economic stagnation. Unlike most of the postwar era, governments have been placing more new constraints on international trade relations than they are removing or moderating.[2] A recent GATT study has calculated that from 1975 to 1977 new restrictions were applied to 3-5 per cent of world trade, annually affecting some $30-50 billion in transactions.[3] With domestic support for trade liberalization severely eroded by lagging economic conditions and specific import injuries, expansive protectionism has become a very real threat to the international trading system.

Second, the color-TV case points to the complexities and pitfalls of foreign economic policymaking when various policy tools and objectives are intertwined and contingent upon others' actions. For example, Western governments have generally looked upon increased trade as a principal means for spurring growth and reducing inflation. These policy linkages were addressed at the May 1977 and July 1978 economic summits, where Western leaders pledged greater collective efforts to promote economic expansion and to foster broader international trading opportunities.[4] However, serious do-

[2] See Gregory Schmid, "Interdependence Has Its Limits," *Foreign Policy,* Winter 1975-1976, pp. 193-195.

[3] *New York Times,* September 23, 1977. For discussion of how such measures of trade restrictions underestimate the actual magnitude, see Richard Blackhurst, Nicolas Marian and Jan Tumlir, *Trade Liberalization Protectionism and Interdependence* (Geneva: GATT Studies in International Trade, no. 5, 1977), p. 44.

[4] For comments on the London economic summit agreements in relation to trade problems, see David Dunford, "Employment in an Open Trading System," *U.S. Department of State Statement,* May 25, 1977, p. 4. For a similar report on the Bonn meetings,

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mestic adjustment difficulties to open-market conditions can undermine trade liberalization and related macroeconomic goals. Trade relations can also be strained over conflicting governmental efforts to shape trade flows in advancing domestic economic policies and objectives. As will be seen, this problem was central to the color-TV controversy, and despite summit proclamations, Washington and Tokyo remain at odds over this issue.

Third, the overwhelming Japanese import competition within the American color-TV market gives rise to serious questions about the adequacy of current liberal trade remedies for alleviating domestic disruptions and adjustment difficulties. At a time when "fair" rather than "free" trade has become a dominating political symbol in foreign economic policymaking, governments have struggled to formulate effective remedial policies that will avoid a resignation to protectionism, on one hand, or an abandonment of workers and communities to open-market hardships, on the other.[5] The U.S.-Japanese color-TV dispute and the use of *ad hoc* restrictive measures, such as an orderly marketing agreement, to ease consequent difficulties point to the lack of confidence governments have in GATT's existing capacity to safeguard affected industries.[6]

Finally, the color-TV case highlights the importance and distinctiveness of various domestic structures in shaping foreign economic policy and international economic relations. At the base of this U.S.-Japanese controversy have been different perspectives each side holds about the acceptable level and character of state involvement in the private sector. As will be seen, the color-TV case and U.S. claims of unfair Japanese trade activities indicate the types of problems that stem from conflicting norms and practices within different countries' foreign economic policymaking.[7]

In examining the U.S.-Japanese color-TV controversy, this study will assess the conditions that led to trade-adjustment difficulties. It will analyze the pressures, constraints and concerns facing the U.S. and Japanese governments in dealing with this situation, as well as the ways in which these governments have tried to handle

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see the *New York Times,* July 23, 1978. For discussion of the importance of the Multilateral Trade Negotiations (MTN) as an instrument for reducing inflation and increasing employment, see *U.S. Department of the Treasury News,* November 13, 1978, pp. 12-13.

[5] See "When Free Trade Hurts" (editorial), *New York Times,* June 30, 1977.

[6] For a report of GATT's warning about the need for revising trade rules in this area, and for further discussion of international safeguarding, see the *New York Times,* September 13, 1977.

[7] See Peter J. Katzenstein, "Introduction: Domestic and International Forces and Strategies of Foreign Economic Policy," *International Organization,* Autumn 1977, pp. 604-605.

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the evolving difficulties and events. Drawing upon the color-TV case, this study will also evaluate prospective patterns and problems in trade-adjustment policymaking.

Background to the Dispute: International and Domestic Conditions

In important ways, the maintenance of liberal trade relations is dependent upon high levels of global economic activity. Vibrant economies sustain export markets and ease structural adjustments that arise from changing trends in international trade and investment. However, in a global economy beset with widespread unemployment, high rates of inflation and sluggish, disjointed patterns of economic growth, the conduct of international trade and domestic adjustments can become far more problematic. In such an environment, sustained trade flows are seen both as sources of recovery and of further hardship among interdependent nations.

Facilitating adjustment to import competition has long been a key concern in managing trade relations. Such action is seen to promote trade liberalization and patterns of international production that encourage aggregate efficiency and growth. Traditionally, liberal trade policies have stressed temporary safeguards and adjustment-assistance programs to alleviate market disruptions and domestic injuries arising out of import competition. But increasingly, workers and firms threatened by import penetration have rejected these remedies. Instead, they have often resisted structural changes in the affected industry and petitioned governments for more lasting trade protection.[8] Such pressures, coupled with weaknesses in extant international safeguarding rules, have led to what has widely been seen as a crisis in international trade relations over increasing government controls and restrictions placed on world trade flows.

In recent years, the negotiation of selective and temporary export restraints has become a prominent protective measure used by governments in dealing with import injuries. The rationale for resorting to orderly marketing agreements and other such "violations" of established trading standards in effect rests upon "second best" considerations. As the U.S. government, perhaps the strongest supporter of an overall liberal trading regime, has indicated:

Our policy is to look into serious problems of import competition on a case-by-case basis. . . . In some cases, a rapid surge of imports can threaten

[8] See Blackhurst, Marian and Tumlir, *Trade Liberalization*, pp. 44-52, for more discussion of protection and refusal to adjust. See, also, the *New York Times*, October 10, 1977, for a report on the weaknesses of U.S. adjustment-assistance programs, a factor behind labor groups' unwillingness to rely upon adjustment assistance.

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jobs and harm domestic industries, generating strong pressure for protectionist actions. . . . We are convinced that adjustment to such competition, rather than shielding our economy from it, should remain the primary objective. . . . But we must fully recognize that industries cannot adjust overnight, and that mutual cooperation to moderate trade flows may be necessary in exceptional cases.[9]

A major problem with this approach, however, is that in practice such stop-gap restraints can breed further restrictions without actually addressing the structural problems that led to their use. Concentrated in certain product lines and involving particular exporters, these restrictions derogate from long-standing principles of nondiscrimination and reciprocity within the international trading system. Moreover, resorting to these measures in an *ad hoc* fashion increasingly circumscribes the scope of multilateral regulations seen to be so vital to liberal trading regimes.

In large part, current domestic and international economic problems have altered what had been a central political dynamic bolstering liberal trade patterns. For much of the postwar period, governments were able to use and point toward multilateral trade commitments to hold off threatening domestic claims for import protection, proclaiming that consequent liberalization would on balance provide more perceptible benefits than harm. However, given present conditions, trade policies have focused more on ordering and easing the domestic impact of trade relations than on expanding the scope of trade liberalization.[10]

Trade-adjustment difficulties have become particularly problematic in U.S.-Japanese relations. Since World War II, this relationship has been shaped largely by U.S. decisions to take "positions strikingly favorable to Japanese foreign economic policy . . . in an effort to insure the continued economic success and political stability of the pro-American, anti-Communist regime in Tokyo."[11] Such a pattern continued for almost two decades, despite each country having very different foreign economic strategies and attendant domestic structures. For the most part, American commercial policymaking has stressed the maintenance of a liberal international trading regime. U.S. trade policy has also been formulated within a domestic structure characterized by extensive "fragmentation and dispersion of power and authority." Japan, on the other hand, has

[9] C. Fred Bergsten, "The United States in an Interdependent World Economy," *U.S. Department of the Treasury News*, November 14, 1977, pp. 9-10.

[10] See W. Michael Blumenthal, "Steering in Crowded Waters," *Foreign Affairs*, July 1978, p. 734.

[11] T. J. Pempel, "Japanese Foreign Economic Policy: The Domestic Bases for International Behavior," *International Organization*, Autumn 1977, p. 760.

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broadly pursued a foreign economic strategy reflecting its selective development of "key sectors" — emphasizing the large-scale importation of raw materials and technology and the vigorous export of sophisticated manufactures. This posture has been maintained with extraordinary consistency and direction through strong state intervention in regulating economic affairs, coupled with pervasive linkages between government and the private sector.[12]

By the late 1960s, however, U.S.-Japanese trade relations and the policy differences between the two trading partners became more troublesome. Japanese exports exceeded U.S. imports for the first time in 1965-1966, and as the imbalance continued to grow over the next decade, U.S. criticism of Japanese trade and monetary policies intensified. More and more, Washington called for a redressing of the "inequality" and "asymmetry" seen in U.S.-Japanese trade relations. In addition, American business and government leaders increasingly claimed that Japan was not adhering to acceptable standards in its conduct of international trade, as images of a "Japanese invasion" and "Japan, Incorporated" became well-publicized points of contention.[13]

For almost two decades, Japan sustained a double-digit growth rate, relying in large part on "export consciousness" for its success. Foreign sales were used to retain high production levels even during domestic economic slowdowns, and exports were essential for overall development programs by supporting the enormous import needs. The Japanese government, in close coordination with a network of industrial, financial and trading interests, provided a wide range of incentives and subsidies for continued export growth. These policies led to expanding trade imbalances with the United States reaching levels of $5.4 billion in 1976, $8.9 billion in 1977 and about $12 billion in 1978.[14]

Recently, American officials have warned that "trade deficits of this magnitude and duration are simply unacceptable to the United States, both economically and politically."[15] In the

[12] *Ibid.*, pp. 725, 741, and Stephen D. Krasner, "US Commercial and Monetary Policy: Unraveling the Paradox of External Strength and Internal Weakness," *International Organization*, Autumn 1977, pp. 644-645.

[13] See Yasuo Takeyama, "The Outlook for U.S.-Japan Economic and Trade Relations," *Journal of International Affairs*, vol. 28, no. 1 (1974), pp. 43-46.

[14] From 1962 to 1971, the Japanese government provided more than $40 billion in trade incentive and subsidy programs. (Pempel, "Japanese Foreign Economic Policy," pp. 749-750.) Initial Japanese economic and trade success also relied upon low labor costs, toleration of industrial pollution and an undervalued exchange rate on the yen. (C. Fred Bergsten, Thomas Horst and Theodore H. Moran, *American Multinationals and American Interests*, [Washington: Brookings, 1978], p. 432.)

[15] See report of comments by U.S. Secretary of Commerce Juanita M. Kreps, *New York Times*, September 28, 1977.

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past, there was a tendency for Japanese officials to discount U.S. complaints and claims, viewing them as attempts to make Japan a convenient scapegoat for U.S. economic woes at home and abroad. But, in light of increasing protectionist sentiment within the United States, Japan has shown more sensitivity to recent exhortations and pressures. Nonetheless, there remains a wide gap between U.S. and Japanese views regarding the resolution of unrelieved trade imbalances, in large part reflecting each side's domestic constraints. Generally, the Japanese government has favored the use of temporary export restraints and increased foreign investments in the United States. However, U.S. officials have called for more enduring changes in Japanese economic policies that would include less reliance on exports for domestic economic needs and greater integration of imports in the Japanese economy.[16]

Developments within the color-TV and consumer-electronics industries highlight many of the difficulties affecting U.S.-Japanese trade relations. Since World War II, there has been a steady loss of U.S. domestic competitiveness vis-a-vis overseas production, particularly that of Japan. The Japanese have excelled in applying electronics technology to consumer goods, initially taking advantage of lower wage costs, but eventually basing their success on advanced manufacturing and marketing efforts. This pattern conforms to a general strategy found within many Japanese export-oriented industries: identifying product lines for which there is mature technology available as well as sizable consumer markets to sustain volume production.[17]

The U.S. industry itself has also accelerated this long-term shift towards overseas production. Over the past decade, American firms have earned over $200 million from licensing and technological assistance agreements with Japanese consumer-electronics companies, which eventually bring their products to the American market. In addition, U.S. manufacturers have established offshore facilities themselves, taking advantage of American tariff laws that provide for reduced duties on products partially made overseas. By 1974, domestic manufacturers lost some 42 per cent of the U.S.

[16] For discussion of Japanese views, see Takeyama, "The Outlook for U.S.-Japan Economic and Trade Relations," pp. 46-53. For a report of Japanese domestic constraints working against the types of trade and fiscal policies demanded by the United States, see the *New York Times*, December 28, 1977.

[17] Japan's particular domestic structure has also contributed to the success of its export efforts. (John Walsh, "International Trade in Electronics: US-Japan Competition," *Science*, March 18, 1977, pp. 1175, 1177.)

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consumer-electronics market, an overall trend that has been paralleled in the color-TV field.[18]

Growing Japanese import challenges have led to strong calls for trade restrictions within the United States. This sentiment has been sharply fueled by American complaints of unfair Japanese practices. Japanese television companies have been attacked for illegal dumping activities, for conspiring to fix prices and to commit customs fraud and for engaging in generally anticompetitive actions in relation to American firms. A variety of legal proceedings have been initiated against Japanese television makers concerning these allegations, and the U.S. Treasury Department has levied significant antidumping duties against the Japanese in response to such unfair import competition.[19]

As noted, these American complaints and charges have come in the wake of a great upsurge of Japanese color-TV sales over the past five years, accelerating to the point of capturing 40 per cent of the U.S. color-TV market in 1976, a jump of 153 per cent within eighteen months. Such a rise in Japanese exports exacerbated already declining conditions within the U.S. industry. In 1974, seven out of eleven domestic manufacturers lost money despite strong color-television sales within the United States, and these trends have continued to trouble American television manufacturers. In recent years, a number of well-known domestic television makers, such as Admiral, Motorola, Magnavox and Philco underwent mergers, acquisitions or shutdowns as a result of an inability to maintain profitable operations in this price-competitive field.[20]

A key area of contention has involved private-label and lower priced color-TV sets. Except for Sony, most Japanese exports have been concentrated at this end of the market. Maintaining a strong foothold in this area has become important to sustain profit-

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[18] Domestic and International Business Administration, U.S. Department of Commerce, *The United States Consumer Electronics Industry* (Washington: GPO, 1975), p. 1; *Wall Street Journal*, December 16, 1976; and Walsh, "International Trade in Electronics," p. 1178.

[19] For further discussion of Japan's unfair trade practices, see John J. Nevin, "Can U.S. Business Survive Our Japanese Trade Policy?," *Harvard Business Review*, September-October 1978, and the *Journal of Commerce*, March 14, 1979. For reports of continuing disagreement between the U.S. television industry and the U.S. Treasury Department over the assessment of antidumping duties against the Japanese, see the *New York Times*, May 4, 1979. One analyst has noted that U.S. trade policy has undergone an increased "adjudicationization," in part stemming from changes in the 1974 Trade Act. This case bears out his point. (Stephen D. Cohen, "Coping with New Protectionism," *National Westminster Bank Quarterly Review*, November 1978, pp. 8-9).

[20] See *The United States Consumer Electronics Industry*, p. 4, and Nevin "Can U.S. Business Survive?," p. 165. See, also, the *Wall Street Journal*, December 16, 1976, and *Business Week*, May 8, 1978.

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ability in the industry. Indeed, many critics have noted that U.S. manufacturers have displayed long-standing insensitivity to American consumer preferences and lax marketing and distribution efforts in this area. Many analysts claim that these weaknesses, and not Japanese unfair trade practices, have been the root causes of declining American competitiveness in color-TV sales. Recently, U.S. television makers, including industry giants RCA and Zenith, have oriented production more towards this end of the market, attempting to enhance profitability and competitive positions amidst overall record sales in 1977 and 1978.[21]

However, the long-term competitive outlook of American television manufacturers remains clouded by a complicating trend associated with this U.S.-Japanese trade dispute. More and more, Japanese firms are establishing manufacturing and assembly plants within the United States — in large part to escape the threats and costs of U.S. trade restraints. Beginning with the pioneering efforts of Sony in the early 1960s, this process has accelerated in recent years. Such large Japanese electronic corporations as Matsushita, Mitsubishi, Toshiba, Hitachi and Sanyo are making their presence within the U.S. market more stable and extensive by purchasing extant U.S. facilities or creating new subsidiaries of their own. This development has provided important American employment and balance-of-payments gains. It also substantially undercuts the political force and effectiveness of trade-restricting efforts by U.S. color-TV manufacturers, although American firms have responded to this trend by seeking remedial action against alleged unfair business practices associated with such a large Japanese involvement in American manufacturing facilities.[22] Thus, the dimensions of the U.S.-Japanese color-TV controversy have extended beyond specific trade interests and capabilities, indicating the increased complexity of Japanese involvement in and impact on the American television market.

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[21] See the *Wall Street Journal*, June 27, 1977. The import competitiveness of the U.S. color-TV industry is a highly complex and contentious issue. Petitions before the U.S. International Trade Commission in 1977 and memos submitted to the Trade Policy Staff Committee in 1977 indicated divergent viewpoints concerning the nature of American competitiveness. For criticism of U.S. television manufacturers, see the April 25, 1977, memorandum from the National Retail Merchants Association to the Chairman of the Trade Policy Staff Committee, Office of the Special Representative for Trade Negotiations. See, also, U.S. International Trade Commission, *Color Television Receivers: Quarterly Profits and Capacity and Certain Annual Expenditures of U.S. Producers; Quarterly Prices, Orders and Inventories of Importers, 1976 and 1977* (Washington: USITC publication no. 877, March 1978).

[22] See Nevin, "Can U.S. Business Survive?," pp. 175-177, and *Business Week*, May 8, 1978.

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Dynamics of the Dispute: An Overview

Spurred by dramatic increases in Japanese television exports beginning in 1975, American electronics firms and unions actively pressed for trade relief, claiming that they faced a "threat of extinction" resulting from unfair Japanese trade practices.[23] The American decisionmaking structure for trade policies is particularly open to such pursuits. Interest groups can mobilize their efforts before many governmental bodies involving Congress, the executive departments and the federal judiciary. Within this setting, the political impact of such import-injury claims can become quickly and widely felt.[24] Moreover, the fragmented governmental structure, in which claims are considered individually within different arenas, acts to accentuate the specifics of trade-adjustment cases without full regard for overall trade relations. As a White House official noted, "Government agencies tend to look at these [import-injury claims] as narrow, technical decisions. But the U.S. has a special role in the world, and one has to understand that forces would be unleashed [if these cases were mishandled]."[25]

The Carter administration was particularly concerned about American industry efforts to restrict Japanese exports in color-TV sets. Washington faced mounting domestic pressure for import relief in a number of other industries, and similar demands for trade restraints were made within other major trading nations. Given their traditional leadership in supporting a liberal trade regime, American officials were particularly sensitive to the U.S. position within this potentially explosive situation. As a Carter administration spokesman noted, "one attempt by the U.S. to impose import restrictions of significant notice will triple the pressure on . . . [other] governments" for similar or retaliatory actions.[26] Such reactions could precipitate an overall pattern of protectionism that would extend far beyond the initial industry facing import competition.

The competing domestic and international concerns that embroil trade-adjustment cases often mean that governments have to tread an uncertain path between actions that threaten international economic objectives and those which leave them politically

[23] *Wall Street Journal*, December 16, 1976.
[24] See Krasner, "US Commercial and Monetary Policy," p. 649, for further discussion of the types of access available to private groups. The 1974 Trade Act further reinforced these trends. (Cohen, "Coping with New Protectionism," p. 8.)
[25] *Wall Street Journal*, March 23, 1977.
[26] *Ibid.*

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embattled and weakened at home. In the color-TV case, this dilemma was made more acute as a result of several judicial and governmental proceedings initiated against Japanese exports — actions that could force the administration's hand in unwanted directions.

Perhaps the most far-reaching effort involved a U.S. Customs Court suit filed by Zenith in April 1976. The Customs Court action addressed a critical issue for the U.S. television industry — and indeed for overall U.S. trade relations. At question was the legality of commodity tax rebates that the Japanese electronics manufacturers received from their government on products they exported. Zenith claimed that Japanese exporters of color-TV sets obtained substantial price advantages as a result of inequitable tax treatment vis-a-vis American manufacturers. Zenith went to court on this issue after it unsuccessfully sought from the U.S. Treasury Department countervailing duties to offset the rebates. The legal dispute between Zenith and the Treasury Department revolved around interpretations of an 1897 Tariff Act and a 1903 Supreme Court ruling on whether such tax rebates constitute actions subject to countervailing duties. But at stake here was a possible U.S. precedent in international trade relations that would have jeopardized about 60 to 70 per cent of *all* U.S. imports. Under GATT trading rules, governments may rebate indirect taxes on goods shipped to export markets. This treatment of indirect levies is legally recognized and widely applied throughout the international trading community.[27] As one Treasury official noted, the implications of the Zenith suit for international trade relations opened a "kingsized hornets nest, about as big a one as you could have."[28]

The Customs Court eventually reached a decision in April 1977, unanimously ruling that Japan's tax forgiveness on exported items constituted a "bounty or grant" within the meaning of current American tariff laws. Putting aside the Carter administration's vigorous warnings of ensuing "disasterous" political and economic consequences, the court contended that it was bound to interpret and apply the law "unrestrained by extra-legal considerations."[29] Immediately, the U.S. government announced that it would appeal the ruling and thereby delay any imposition of countervailing duties — estimated at $225 million per year against Japanese television makers. However, in light of the court's decision, Japanese exporters

[27] For Zenith's view on the inequities of rebating indirect taxes, see Nevin, "Can U.S. Business Survive?," pp. 165-171. For reports of the broad impact of the Zenith suit on international trade relations, see the *New York Times*, July 29, 1977.

[28] *Wall Street Journal*, December 16, 1976.

[29] *New York Times*, April 13, 1977.

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were compelled to post bonds covering any future additional duties. It was expected that these bonds would impose greater risks for Japanese exporters and would spur higher prices for Japanese color-TV sets, especially since the U.S. Treasury Department was requiring increased bonds for potential antidumping actions — another key issue concerning Japanese color-TV sets.[30]

The U.S. Customs Court ruling was widely regarded as a major threat to international trade relations that could unleash other restrictions in its wake. For example, following the Zenith case, the U.S. Steel Corporation quickly sought a similar judgment in the same court against tax rebates granted by European governments to steel exporters. Moreover, in a highly unusual action, the GATT Council issued a formal warning to the United States that the imposition of such countervailing duties against Japanese color-TV sets would be illegal and invite trade reprisals. The suit also had disturbing reverberations within the ongoing Tokyo Round negotiations, particularly since nontariff barriers had become so vital a focus within the MTN.[31]

During the same period that the Zenith case was under consideration, the U.S. color-TV industry sought additional trade relief before the U.S. International Trade Commission (ITC). As another key avenue of access to the American government for domestic groups seeking protection from import injuries, the ITC is empowered to issue findings on the existence and extent of harmful foreign competition and to recommend measures to alleviate consequent injuries. Once a recommendation is made to the president, the White House has sixty days to respond, with presidential action subject to congressional override in certain circumstances.[32]

In March 1977, the ITC, by a 6-0 vote, ruled that Japanese color-TV imports resulted in serious injury to American manufacturers and recommended, by a 5-1 vote, a substantial tariff increase to alleviate import damages. Such action would result in an estimated $56 increase in the unit price of imported color-TV sets. American television manufacturers welcomed this additional burden placed upon Japanese exports. For example, Zenith's John J. Nevin stated that this tariff relief was needed to withstand Japan's

[30] See the *Wall Street Journal*, April 18, 1977.

[31] The Japanese government had indicated it would wait until the appeal procedures were completed before it would consider trade reprisals. See the *New York Times*, June 17, 1977, and July 29, 1977, for reports of these responses to the Customs Court ruling and its impact on trade relations.

[32] See Krasner, "US Commercial and Monetary Policy," p. 668, for changes in the 1974 U.S. trade legislation that made it easier for domestic groups to claim import injury under escape-clause provisions. See, also, the *New York Times*, March 1979.

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"unfair and unlawful competition."[33] Furthermore, the U.S. Electronics Industry Association applauded the ITC ruling and urged the president to give "immediate, serious, and appropriate consideration to these findings."[34]

However, the Carter administration was dismayed with the ITC ruling. The recommendation, if acted upon, would lead to substantially higher prices amidst renewed administration efforts to stem inflationary pressures and would risk provoking "a new mood of protectionism at a time when trade . . . [represented] the principal engine of economic recovery in the world."[35] Higher tariffs would also apply to all foreign suppliers of color-TV sets, and thus expose the United States to possible trade claims and actions by other countries. The dilemma of how to satisfy domestic trade complaints without impeding other foreign economic objectives was made more acute by the timing of the ITC's ruling. The commission's proposed trade restrictions were announced only weeks before the London economic summit was to convene, and Washington was planning to press for greater commitments on liberalizing international trade.

From the Japanese side, trade officials objected to U.S. industry actions against color-TV exports. They argued that recent increases in Japanese sales caused no domestic injuries and claimed that any inroads gained by Japanese firms resulted from hard-earned manufacturing and marketing advances. In a major statement on the controversy, Deputy Vice-Minister of International Trade and Industry Minoru Masuda expressed his government's opposition to the ITC ruling, noting that unilateral tariff rescheduling would only upset overall trade relations. However, Masuda stated that Japan would favor mutual export agreements in cases of trade-adjustment difficulties, signaling a willingness to moderate the flow of color-TV sets to the United States.[36]

With the ITC recommendation looming as a deadline for the Carter administration, the president instructed Special Trade Representative Robert Strauss to enter into negotiations with the Japanese government. In these talks, the Japanese reiterated their

[33] See the *New York Times*, March 15, 1977, for a report on the ITC action, which called for a fivefold rise in the current 5 per cent tariff rate. This 25 per cent level would remain for two years and eventually be set at 10 per cent in the fifth year.

[34] *Wall Street Journal*, March 21, 1977.

[35] Harald B. Malmgren's assessment of the administration's view is cited in the *New York Times*, March 15, 1977. There were also considerable qualms about the ITC's handling of technical issues regarding complete and incomplete sets (*White House Press Release*, May 20, 1977, p. 1, attachments A and B.)

[36] *New York Times*, April 8, 1977.

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claim that the ITC ruling was an unfair and unnecessary response to their import competition. The Japanese viewed the sharp increases in 1976 exports as arising out of temporary factors boosting demand, such as the U.S. presidential election and the bicentennial celebrations, and they contended that the color-TV problem would subside naturally once market conditions returned to normal levels. However, during this period, Japanese manufacturers were already adjusting their operations to lessen their dependence on exports by increasing production capacities within extant U.S. facilities or by initiating actions to start up new ones.[37]

As the negotiations progressed, the key issues involved finding suitable safeguards for American television makers against serious injuries, while at the same time preserving overall trade objectives and insuring equity for Japanese exports vis-a-vis other foreign suppliers. Moreover, the Carter administration was particularly concerned about the "undue and unjustifiable cost to consumers" that would result from enactment of the ITC's recommendation.[38]

On May 20, 1977, U.S. and Japanese officials announced they had reached an orderly marketing agreement (OMA) that limited significantly the flow of Japanese color-TV sets into the U.S. market. For three years beginning in July 1977, the OMA would hold the number of Japanese color-TV exports at 1.75 million sets, a 40.9 per cent decline from 1976 levels. This figure was a compromise between the 1.2 million desired by the U.S. industry and the 2 million initially offered by the Japanese, with the total limit broken down into 1.56 million completed sets and 190,000 unassembled units. The OMA contained two other important clauses. First, those sets in which 40 per cent of the labor costs involved U.S. workers would be exempted from such restrictions. Second, similar limits would be extended to other foreign suppliers — representing some 20 per cent of American imports — if Japanese manufacturers experienced unfair disadvantages resulting from this marketing arrangement. Moreover, in consenting to this agreement, the Japanese government did not concede any trade violations or unfair practices, as this limit was only to acknowledge that American manufacturers could not compete satisfactorily.[39]

[37] See the *Wall Street Journal*, April 8, 1977, for a report of Japanese views. The trend toward Japanese investments in U.S.-based facilities was also made more attractive by the large gains of the yen in relation to the dollar. (*New York Times*, December 15, 1977.)

[38] *White House Press Release*, May 20, 1977, p. 2.

[39] *Ibid.*; *Wall Street Journal*, April 11, 1977; *New York Times*, May 18, 1977, and May 22, 1977.

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The Carter administration was clearly relieved by the successful negotiation of this OMA. As in the cases involving shoes, sugar and mushrooms, the president sought bilateral marketing negotiations rather than unilateral means undertaken along the more restrictive lines recommended by the ITC. As Robert Strauss noted, such actions as the color-TV agreement represent "a fair and equitable arrangement, one which does not unnecessarily limit trade or raise consumer costs, but [one] which also gives American firms and workers time to adjust to international competition."[40]

The American television makers, however, were not pleased with the trade relief provided by the negotiated orderly marketing agreement. For example, a labor-industry organization, the Committee to Preserve American Color Television, pressed for a much more restrictive quota. Indeed, there was strong sentiment within the U.S. industry that the U.S.-Japanese agreement would effectively represent "locking the gates after most of the horses are dead."[41] Moreover, Zenith indicated that the OMA would not alter its intent to seek other restraints on Japanese color-TV sales within the U.S. market — most notably the Customs Court case still pending in appeals. Also looming were domestic industry efforts focused against perceived unfair Japanese trade practices. As one U.S. trade official noted, "this was the most basic and strongly felt area of contention in the overall trade dispute. Import relief was important, but it was probably sought to buy time while mobilizing efforts on the unfair trade front."[42]

In a move that reflected the underlying problems still experienced by American television manufacturers, Zenith announced in September 1977 that it would substantially shift production overseas into lower wage sites and eliminate one-quarter of its American work force. Long the most active champion of protecting domestic production against foreign competition, Zenith was now following a pattern already pursued by most other U.S. television manufacturers. John J. Nevin stated that Japanese exports were a major factor in Zenith's cost-price squeeze and that such action was required to restore profitability to its operations.[43] U.S. trade officials

[40] *White House Press Release*, May 20, 1977, p. 1.

[41] *New York Times*, April 8, 1977; *Wall Street Journal*, May 23, 1977 and June 27, 1977. Major factors behind the industry's pessimistic view were (a) the large inventories built up in anticipation of such import limits and (b) the expected increases in Japanese production of color-TV sets within the United States. (*Wall Street Journal*, May 23, 1977.)

[42] Interview with an official in the Office of the Special Trade Representative.

[43] *New York Times*, September 28, 1977. Out of 21,000 jobs, 5,600 were lost. Many observers felt that this shift in production was an inevitable development for Zenith,

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were jolted and disturbed by this move. As one policymaker noted, "We tried to give Zenith what it wanted with the OMA, and then Zenith goes ahead and pulls out. Now the OMA will benefit television production in Mexico and Taiwan more than in the United States."[44]

The U.S. government, however, received more welcome news concerning the disposition of Zenith's Customs Court case. In July 1977, the Court of Customs and Patent Appeals decided to overturn the lower court ruling that required the Treasury Department to impose special duties on Japanese exports receiving governmental rebates. Chief trade negotiator Strauss announced that the 3-2 decision would ease a "serious threat to trade harmony and the success of trade liberalization negotiations in Geneva." However, the future of the color-TV case and U.S.-Japanese trade relations remained clouded as Zenith filed an appeal before the Supreme Court — extending possible disruptions and uncertainties for at least another year.[45] Indeed, as one European observer stated, "We are watching the case like milk on a hot stove. An adverse ruling could bring chaos."[46]

In April 1978, the Supreme Court heard oral arguments concerning this suit. Zenith maintained that the executive branch's interpretations of U.S. tariff laws in this case were unreasonable and violated Congress's "constitutional power and duty to regulate foreign commerce." The U.S. government responded that for over eighty years, the Treasury Department considered export tax rebates permissible. Indeed, established national systems of indirect taxation and international trading rules supported this view. Changing these rules now would cause "significant economic dislocations at home and abroad" and would risk a major "breakdown in international trading agreements and retaliation from our trading partners."[47]

On June 21, 1978, the Supreme Court unanimously ruled in favor of the Treasury Department. In reaction to this decision,

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given the nature of the industry. Zenith's capacity to withstand foreign competition has also been weakened by the fact that it has little else to cushion the effects of such competition. Zenith is unlike most other American television makers, which are parts of larger, more diversified corporations. (*Wall Street Journal*, September 28, 1977.)

[44] Interview with U.S. Treasury Department official.

[45] *New York Times*, July 29, 1977. The Carter administration indicated that if its position were not upheld, it would introduce new legislation on countervailing duties to comply with established trading principles. However, the likelihood of gaining a congressional revision of the countervailing duty laws was quite slim, given the strong protectionist sentiment in Congress. (*Wall Street Journal*, June 27, 1977.)

[46] *New York Times*, May 14, 1977. In 1976, the value of U.S. imports potentially affected by the Zenith case exceeded $50 billion.

[47] *Ibid.* and *New York Times*, June 22, 1978.

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Zenith chairman Nevin noted that the U.S. television industry would remain in a difficult competitive position and complained that the U.S. government once again "failed to do something that might have helped us."[48] However, the judicial resolution of this Zenith case did not put to rest U.S. industry efforts to fight Japanese television makers in other legal and political arenas. As noted, alleged Japanese unfair trade practices took on greater prominence within the continuing controversy.[49]

U.S. television makers have expressed strong dissatisfaction with the trade remedies offered by Washington. Despite the OMA, the manufacturers argue that their competitive position continues to deteriorate — this despite record U.S. sales in 1978. In large part, their outlook is based upon the extensive manner in which the U.S.-Japanese agreement has been circumvented or rendered ineffective. Overall, competition from imported color-TV sets has not diminished so much as the relative position of different foreign suppliers or countries of origin has changed. Imports still accounted for about 28 per cent of the American color-television market in 1978. Japan has reduced its share to about 1.5 million units, but suppliers from Taiwan and the Republic of Korea have greately expanded their sales. For example, Taiwan sold less than 250,000 sets to the United States in 1976, and by 1978, this figure had jumped to 625,000. Even greater gains were made by Korean imports, which have gone from less than 100,000 units in 1976 to some 415,000 sets in 1978. The volume of finished and semifinished sets from Mexico and Singapore has also expanded significantly.[50]

The problem of other suppliers moving in to nullify gains intended by the U.S.-Japanese OMA had gotten so acute that Washington sought and concluded in December 1978 further orderly marketing agreements on color-TV sets with Taiwan and the Republic of Korea. As the president announced on January 26, 1979, color-television imports from these countries "have increased in such quantities so as to disrupt the effectiveness" of past arrangements in this area. Thus, from February 1, 1979, through June 30, 1980, Taiwanese and Korean color-TV sets will enter the U.S. market at

[48] *New York Times*, June 23, 1978. For reports on this case, see the *New York Times*, June 22, 1978.

[49] See the *Wall Street Journal*, June 27, 1977; Nevin, "Can U.S. Business Survive?," pp. 171-177; and the *New York Times*, May 4, 1979.

[50] See *Business Week*, May 8, 1978, and the *Buffalo Evening News*, May 4, 1978, April 19, 1979. The overall U.S. television market in 1978 yielded sales of some 10 million sets.

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a quantitatively restricted level representative of the 1972-1975 period.[51]

Perhaps more important to the long-term prospects of the American television industry is another trend associated with the U.S.-Japanese trade arrangement: the vast expansion of Japanese production and assembly facilities established within the United States. In 1977, virtually all export losses mandated by the negotiated OMA were offset by increased American production of color-TV sets by Japanese-owned firms. By the end of 1979, it is estimated that the six major Japanese television manufacturers will be producing some three million sets within the United States, an amount which exceeds the 1976 export total that precipitated the trade crisis. As a spokesman for Matsushita noted, "The overall environment for Japanese TV exports to the United States is so severe that we've been left little choice" but to take these steps to insure a continued market position.[52] Within the U.S. government, this situation is not seen as an indication of ineffective trade policy, nor failed import relief. As one trade official noted, "OMAs are not supposed to bring an industry back to life and protect it from competition. They are intended to provide temporary action to adjust to a specific import injury. We don't consider Japanese-owned firms producing TV sets in the U.S. a trade problem. We also don't see their presence as a necessarily undesirable development."[53] But some American industry analysts believe that this trend means that the "future of American TV makers will be very problematical," and that, even among the handful of domestic firms remaining, "some companies are just going to go belly-up."[54]

Trade-Adjustment Policymaking: Patterns and Prospects

The color-TV dispute between the United States and Japan highlights the complex problems that trade-adjustment cases pose for foreign economic policymaking. Such difficulties point up — and indeed are rooted in — important trends shaping contemporary international trade relations: increased global mobility of

[51] See *Weekly Compilation of Presidential Documents*, January 29, 1979, pp. 166-169. See, also, *Federal Register*, January 29, 1979, pp. 5636-5637, for a discussion of the exact provisions.

[52] It is estimated that by 1980 one of every three color-TV sets manufactured in the United States will be produced by Japanese-owned facilities. Japanese exports of color-TV sets to the United States are also expected to drop considerably. (*New York Times*, February 19, 1979.)

[53] Interview with an official in the Office of the Special Trade Representative.

[54] *Business Week*, May 8, 1978.

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factors of production and economic interdependence; changing patterns of international competitiveness and consequent structural impacts; and strained governmental efforts to advance expanding, and often conflicting, economic welfare concerns. More and more, accommodating these trends in a manner that can sustain the progressive course of international trade liberalization will constitute a major challenge for the management of international economic relations. But unlike earlier periods, when vibrant economic expansion and booming trade gains eased the continued maintenance of liberalized trading patterns, the capacities of governments to follow this course has become eroded in the face of compelling domestic economic difficulties. As a former U.S. official has noted, currently "protectionism in one form or another has . . . taken on a degree of political respectability" — even if in the long term, as a recent GATT report warned, protectionist trade policies would exacerbate underlying conditions which initially led to such difficulties and would effectively dampen any prospects for needed structural adjustments.[55]

As the color-TV dispute has shown, a central problem posed by trade-adjustment cases involves reconciling conflicting policy demands in foreign economic policymaking. Particularly troublesome is the strain between commitments to liberal trade policies and the need to respond effectively to domestic pressures arising out of import-injury claims. In large part, the dilemma is made more acute by the increasingly apparent inadequacies of traditional trade remedies in this area. Free trade doctrines have not been sensitive to specific domestic conditions — high unemployment rates, structural problems, economic welfare and distribution concerns — which impede the prescribed adjustment process.[56]

In particular, the two basic kinds of policies intended to ease trade-adjustment difficulties within a liberal trade framework — adjustment assistance programs and international safeguard mechanisms — have been resisted or ignored by those confronted with import-related adversities. Organized labor groups, which see their work forces severely threatened by import penetration, look upon existing adjustment-assistance programs as impending "burial in-

[55] See the *New York Times*, October 2, 1977, for comments by former U.S. Deputy Undersecretary of State for Economic Affairs Nathaniel Samuels, and see the *New York Times*, September 13, 1977, for a discussion of GATT's warning against growing protectionist policies. See Blackhurst, Marian and Tumlir, *Trade Liberalization*, pp. 49-52, for a discussion of the vicious circle of trade and growth.

[56] Further see Helen Hughes, "Summary and Conclusion," in Hughes, ed., *Prospects on Partnership* (Baltimore: The Johns Hopkins University Press, 1973), pp. 275-277.

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surance." Even if most of the problems associated with the administration of past programs were rectified, labor organizations believe that adjustment-assistance activities fail to address critical questions raised by pervasive foreign sales within domestic markets: how to deal with import domination that stems from unfair trade practices and how to strengthen and rehabilitate affected industries facing import competition. Thus, in these circumstances, labor unions have prevailed upon governments to stress trade restrictions as the most viable remedy for saving jobs — particularly when sluggish economic conditions make needed structural changes all the more difficult to accept.[57]

Similar problems are faced in using existing international mechanisms to provide relief against import disruptions and attendant hardships. Indeed, much of the current controversy relates to the perceived inadequacies of GATT provisions for handling contemporary safeguarding needs. Under Article 19, governments can take emergency actions to restrict imports, if it can be shown that actual or threatened serious injury to domestic industries is encountered. But like other areas of trade relations covered by GATT guidelines, the principles of nondiscrimination and reciprocity are built into present safeguard rules. Such requirements limit the precision and effectiveness of import relief, since any restraints imposed must be applied to all suppliers. It also increases the costs of resorting to safeguards, since provisions for compensation or retaliation in kind are included in current measures. Moreover, there is no operative clause for periodic review of injury claims. These shortcomings have prompted one observer to note that "the article is too exacting in that the country invoking it risks retaliation (or risks paying too much) for taking emergency action, and, at the same time, it is too lenient in allowing emergency protection to become permanent."[58] These problems, then, have led governments to avoid using GATT provisions when faced with threatening import competition and have heightened the possibilities of abuse, inequitable consequences or joint losses that can arise from trade-adjustment cases.

Caught in the discomforting squeeze between overall lib-

[57] See Blackhurst, Marian and Tumlir, *Trade Liberalization*, pp. 44-45. Also see Hughes, ed., *Prospects on Partnership*, p. 280, for a discussion of the conditions for successful adjustment-assistance policies.

[58] See Jan Tumlir, "Emergency Protection Against Sharp Increases in Imports," in Hugh Corbet and Robert Jackson, eds., *In Search of a New World Economic Order* (New York: Halsted, 1974), p. 262. Many different safeguard clauses are to be found within GATT, involving such grounds as balance of payments or national security; but Article 19 is the most relevant, as it deals with import flows that exceed the adjustment capacity of domestic industry. (*Ibid.*, p. 261.)

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eral trade commitments and domestic political and economic conditions that compel decisive remedial actions, governments have been increasingly forced to seek a middle ground to accommodate these conflicting pressures. In handling trade-adjustment difficulties, such as the color-TV dispute, foreign economic policymakers have resorted to what one U.S. official has called "hodgepodge decisions" that involve a "packaging" of minimally restrictive components. The intent is to aid those most injured by import competition without damaging broader trade-related objectives, or inviting retaliation by affected governments that would reduce jobs and production in other export sectors. In pursuing this approach to trade-adjustment problems, governments have relied heavily on orderly marketing agreements to gain negotiated export curbs by the most injurious suppliers.[59]

OMAs are pragmatic, self-contained trade arrangements that are negotiated in the absence of any recognized international guidelines and outside of GATT commitments. As one U.S. official has noted, such marketing agreements can take many forms, from informal "behind the barn deals" to more institutionalized compacts.[60] However, as stopgap and compromise measures, OMAs have expectedly drawn fire from free traders and protectionists alike. Their main advantage has been the provision of selective relief aimed at holding off harsher restrictions preferred by affected domestic groups — and in the color-TV case, recommended by the ITC. It is also hoped that moderating exports in this manner will extend enough time and relief to allow for domestic restructuring or a shift in production patterns to other more efficient avenues. But in practice, OMAs have done little to ease the long-term adjustment process. Indeed, critics believe that OMAs will only lead to more long-term protection. As the color-TV case illustrated, marketing arrangements can often be circumvented or made ineffective, producing pressures for broader restrictive actions, such as restraints on

[59] See comments by Assistant Secretary of Commerce for Industry and Trade Frank A. Weil, *New York Times,* January 1, 1978. See Blackhurst, Marian and Tumlir, *Trade Liberalization,* pp. 28-49, for a discussion of events over the past two decades that reinforced this development. Also see the *Wall Street Journal,* March 23, 1977, for reports of White House views.

[60] Interview with an official in the Office of the Special Trade Representative. See, also, Cohen, "Coping with New Protectionism," pp. 2-3, 10-11. A method similar to OMAs — the Voluntary Restraint Agreement (VRA) — has also been used. But this measure risks antitrust violations, which reduce its effectiveness and value. (Walter Adams and Joel B. Dirlam, "Unfair Competition in International Trade," in *Tariffs, Quotas, and Trade: The Politics of Protectionism* [San Francisco: Institute for Contemporary Studies, 1979] pp. 98-100.)

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other suppliers. It is also thought that further trade protection could result from affected exporters diverting their obstructed goods to other markets or seeking increases in other product lines so as to make up for lost earnings — in effect exporting unemployment and hardships elsewhere. These threats of unregulated trade restrictions posed by the negotiation of OMAs are expected to become more compelling in future international trade relations, given the rapid advances being made by developing countries in exporting lower cost goods affecting "sensitive" industries. Indeed, one U.S. official has noted that perhaps the most significant adjustment problem confronting prospective trade relations over the next decade involves the accommodation of major increases in developing countries' export capabilities. Thus, the costs and concerns that orderly marketing arrangements pose for contemporary trading patterns are unlikely to subside.[61]

Current economic conditions and the prospect of increased OMAs within problematic trading areas have also sparked greater attention to "organized free trade" designs in approaching trade-adjustment cases. The French have called for the negotiation of systematic market-sharing plans to allocate and order the flow of foreign sales within particular sectors of domestic economies. Such plans in effect would apply *dirigisme* to international trade policy involving those areas facing structural difficulties — sectors which presumably cannot sustain liberal trading patterns.[62]

The "organized free trade" approach would represent a considerable extension and formalization of current OMA practices. Liberal trade proponents see this path as anathema to the values and principles embodied in the postwar international trading system. From the liberal trade perspective, market-sharing arrangements would also cause insurmountable administrative problems and an undesirable interference with private market forces. Moreover, critics believe that the French approach would inevitably lead to other, more extensive controls over related economic transactions, such as capital and technology flows: "In the long run, nations cannot organize international trade unless they are also prepared to organize all other means of international exchange."[63]

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[61] See Helen B. Junz, "United States Trade Relations with Developing Countries," *U.S. Department of the Treasury News*, May 6, 1978, pp. 5-6. For more discussion of costs and equity issues raised by OMAs, see Blackhurst, Marian and Tumlir, *Trade Liberalization*, pp. 53-77.

[62] *New York Times*, September 9, 1977. See, also, Blackhurst, Marian and Tumlir, *Trade Liberalization*, pp. 55-56, for a discussion of governmental involvement in organizing import competition.

[63] See Weil's comments in the *New York Times*, January 1, 1978.

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Given the uncertainties and threats posed by the prospective growth of various marketing arrangements within international trade relations, much attention was given to trade-adjustment problems at the recent multilateral trade negotiations in Geneva. The need to negotiate a revised multilateral safeguarding code was emphasized in the 1973 Tokyo Resolution, which initiated the GATT round, and subsequent cases such as the color-TV dispute have reinforced its urgency, lest a further drift toward unilateral or unregulated restrictions foreclose mutually acceptable international guidelines.[64]

To establish an optimal international safeguarding system, the negotiation of several key provisions would be particularly useful. *First,* there need to be clearer rules governing the justification for resorting to safeguards, involving internationally agreed criteria for determining import injury. *Second,* a safeguard system would specify the temporary nature of protective measures, setting a pre-established time limit for the imposition of import-relief actions. *Third,* new restrictive measures should allow for reasonable import growth during the period of application. Here, there would be a need to correlate import increases with any growth in domestic consumption of such products, so as to insure that foreign sales will not be inequitably "frozen," nor allowed to resurge into domination, when and if the market expands. *Fourth,* short-term relief actions should be accompanied by substantial domestic adjustment-assistance and restructuring efforts to ensure the temporary nature of safeguards and the long-term momentum toward trade liberalization. Governments imposing restrictions would, therefore, make a corollary commitment to strengthen the affected industries' international competitiveness or to phase out those no longer profitable. *Finally,* the handling and implementation of such measures should remain subject to multilateral surveillance and mediation, so that the safeguard's functioning does not create further disputes, nor lead to more undesirable consequences in other trading realms.[65]

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[64] See Wilbur F. Monroe, *International Trade Policy in Transition* (Lexington, Mass.: D. C. Heath, 1975), p. 80, for a discussion of the Tokyo Resolution in this regard. Washington has been a strong proponent of negotiating a new GATT safeguard code, as the 1974 Trade Act specifically called for such revised provisions as a "principal United States negotiating effort." (*New York Times,* October 9, 1977.)

[65] This proposed framework draws from Tumlir, "Emergency Protection," p. 269; *Policy Perspectives for International Trade and Economic Relations,* a report by the High Level Group on Trade and Related Problems to the Secretary-General of the OECD (Paris: OECD, 1972), p. 84; Guido Colonna di Paliano, Philip H. Trezise and Nobhika Ushiba, *Directions for World Trade in the Nineteen-Seventies* (New York: Trilateral

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These types of proposed safeguarding provisions would constitute an approach to trade-adjustment difficulties that would maximize mutual accommodation and multilateral management. Indeed, the measures would provide for what Krause and Nye call greater "collective economic security" among exporters and importers in such a problematic trade area.[66] Clearly, this approach would represent a major achievement towards maintaining international trade liberalization. But its successful negotiation would have to overcome formidable short-run domestic costs and obstacles. For example, such safeguarding provisions could mean continued or further deprivation to key domestic industries by requiring the acceptance of smaller market-shares or the phasing out of inefficient operations in order to secure overall trade objectives. As the color-TV case illustrated, however, protecting specific industries troubled by import competition can become more politically compelling than maintaining broader trading goals. Indeed, this case has evidenced several factors characterizing current foreign economic policymaking which make a "collective economic security" approach difficult to sustain. These include the strong presence and impact of "single interest" pressures within governmental arenas and greater focus on immediate distributional and risk-reduction goals — even at the expense of long-term considerations.[67] The fragmented and open U.S. domestic structure on trade policy also gives greater leeway and weight to these protective efforts.

As the U.S.-Japanese controversy further showed, the strains between short-run domestic pressures and broader international trading needs become even more difficult for governments to handle when key trading partners have highly divergent commercial strategies and domestic structures. These differences make collaborative arrangements in the area of safeguarding harder to negotiate and sustain because the major issues concerning equity, trade relief and adjustment become more complex and blurred among governments with diverse economic policies and settings. This condition is likely to become even more complicated with the projected

Commission, 1974), pp. 25-26; and Nathaniel Samuels, "Time for a Trade Retreat," *New York Times*, October 2, 1977.

[66] The term denotes government acceptance of international surveillance and regulation of domestic and foreign economic-policymaking, with a view toward fostering joint gains. See Lawrence B. Krause and Joseph S. Nye, "Reflections on the Economics and Politics of International Economic Organization," *International Organization*, Winter 1975, p. 331, and Joseph S. Nye, "Collective Economic Security," *International Affairs*, Fall 1974, p. 590.

[67] See the comments by Deputy Assistant Secretary for Economic and Business Affairs Robert D. Hormats, *U.S. Department of State Current Policy*, no. 39, October 1978, pp. 1-2. See also Blackhurst, Marian and Tumlir, *Trade Liberalization*, p. 58.

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increases in "sensitive" exports from the developing world. Moreover, effective multilateral arrangements must contend with the fact that one government's safeguarding needs are often tied to another's trade promotion efforts, which encourage or accentuate such trade-adjustment difficulties. Thus, international safeguarding cannot be separated from other levels of governmental involvement in trade activities, most particularly export subsidization. Indeed, as seen in the color-TV controversy, the issue of unfair trade often runs parallel or becomes interwoven with import relief, affecting how governments must confront and respond to trade-adjustment difficulties.[68]

Governments have attempted to deal with many of these problems in the recent GATT round. The multilateral trade negotiations focused extensively on formulating codes of conduct affecting governmental intervention in domestic and international markets. These codes, which would govern safeguarding measures as well as other subsidy, standards and procurement actions, would seek to regulate the character of governmental involvement in trade, the types of remedial measures permitted in times of difficulty and the choice of mechanisms used for resolving disputes. However, a key stumbling block in developing this framework has been how to institute overall guidelines that would insure effective regulation and enforcement, while at the same time preserve enough flexibility to recognize and protect the different needs of various domestic economies. For example, as one U.S. official has stated, in devising international measures for import relief and trade adjustment, such codes must provide "safeguards against safeguards," so as to assure joint gains and fair distributive effects in a complex and changing international economic environment.[69]

Unlike most other regulatory efforts pursued at the recent multilateral trade negotiations, no agreement on a new international safeguarding code could be reached. The impasse centered on the issue of selectivity vs. nondiscrimination in the application of import restrictions for emergency relief. The EEC states pressed for as much flexibility as possible regarding the imposition of safeguards, whereas Japan and the developing countries — the likely targets of future restraints — sought continued equality of treatment as the basis for

[68] For an example of U.S. views on trade problems stemming from "governmental interference" in the marketplace, see C. Fred Bergsten, "International Economic Policy — Where We Stand," *U.S. Department of the Treasury News*, July 19, 1978, pp. 2-3. The 1974 Trade Act also provides for greater attention to unfair trade in cases of import relief. (Interview with an official in the Office of the Special Trade Representative.)

[69] See C. Fred Bergsten, "Trade and Money: The Need for Parallel Progress," *U.S. Department of the Treasury News*, June 20, 1977, p. 7. Also see the *U.S. Department of the Treasury News* for May 11, 1978, p. 12.

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applying safeguarding measures. There were also qualms that selectivity on safeguards could lead to an erosion of the MFN principle in other trading areas. The failure to devise a new safeguarding code was a major factor that led developing countries to register strong disappointment over the Tokyo Round's final outcomes.[70]

It is expected that further negotiations on safeguards will occur within GATT, even after the other MTN agreements are adopted. As one U.S. official has suggested, the problem of selectivity might be accommodated by including provisions to give exporting nations greater assurances and protection. Thus, selective application of import restrictions might be permitted with the consent of the exporter, with public procedures examining the need for imposition or with the involvement of an international body in the decisionmaking process. In effect, a new code on safeguards could lead to arrangements that take much the same shape as current OMAs; however, there would be greater institutionalization and control over their use.[71]

These further efforts to realize agreement on international safeguarding point up the importance of resolving trade-adjustment difficulties within current international trade relations. But they also indicate the problems and constraints those trade matters pose for governments, given troublesome domestic economic conditions and a deteriorated international trade regime.[72] Indeed, there has been a basic pattern in trade policymaking recently whereby governmental actions have either lagged behind or resisted prevailing economic trends.[73] In such circumstances, establishing multilateral regulation and supervision regarding the application of national controls over trade — however limited — may well represent the most effective avenue for maximizing collective economic security among trading nations.

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[70] See the *New York Times*, April 12, 1979, for a report on the failure to reach agreement on international safeguards. At the MTN, there were also no tariff cuts applied to color-TV sets. For developing countries' views on safeguards, see Bahram Nowzad, "Differential Trade Treatment for LDCs, *Finance and Development*, March 1978, pp. 18-19.

[71] Interview with an official in the Office of the Special Trade Representative.

[72] For further discussion of the vicious circle involving eroded international regimes and economic difficulties, see Robert O. Keohane, "The International Political Economy of the 1980s," in *Tariffs, Quotas, and Trade*, p. 174.

[73] For reference to this pattern, see the June 15, 1978, statement by U.S. Treasury Secretary Blumenthal before the OECD ministerial meeting, *U.S. Department of the Treasury News*, June 15, 1978, p. 6.

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MULTINATIONALS AND NATION-STATES: THE CASE OF ARAMCO*

by Louis Morano

Since World War II the multinational enterprise (MNE) has with increasing force made its presence felt on international relations. Traditional scholars have been attached to the view that the nation-state, conceived of as a more or less sovereign entity bounded politically, economically and socially, is the sole important actor in international relations. But in recent years the spread of multinational enterprises has impelled scholars to reappraise the relevance of the state-centric model of international relations.

The typical MNE lies uncomfortably across the jurisdictions of several nation-states. Whereas governments attempt to maximize *national* political, economic and social values on a global scale, the MNE seeks to construct and coordinate a logistically coherent system that maximizes the *enterprise's* values on a global scale. While both sides usually benefit economically, there is an ineluctable political tension between the multinational enterprise and the nation-state.

The effect of this tension on international relations is still a matter of dispute. Numerous scholars, approaching the question from different ideological perspectives, have formulated conflicting interpretations of the MNE's impact. The dozens of theories that have been offered can be boiled down to three broad groups: the MNE as challenger to national sovereignty, the MNE as foreign policy tool of its home government, and the MNE as hostage of its host government.

The scholars who see the MNE as a challenger to national sovereignty look upon the multinational enterprise as a uniquely modern institution which has evolved to meet the needs of an ever more complex and interdependent world economy. In an effort to

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maximize its global output, the MNE strives to free itself from the obtrusive restrictions of the nation-state. Because nation-states hinder the MNE, they are archaic political institutions which are unsympathetic to the needs of the modern world. However, the drive of the MNE to transfer products and factor services across national boundaries more efficiently is making national sovereignty less and less meaningful. Thus the sovereignty of the nation-state is gradually yielding to the inexorable economic force of the MNE.[1]

Those who perceive the MNE as a foreign policy tool of the home country see the multinational enterprise as a vehicle for the industrial nations to exert their influence by penetrating national boundaries. According to this view, the MNE does not seek to shed the identity of its home country but rather to work together with its home government in order to advance common interests. Thus the MNE increases the power of its home country while diminishing the power of the host government.[2]

For those scholars who see the MNE as a hostage of the host government, national sovereignty and political will predominate over economic forces. In the modern international system the nation-state possesses supreme legal status while the multinational enterprise enjoys few internationally recognized legal rights. Hence, the host government can arbitrarily nationalize a subsidiary of an MNE. Because the protection of its investment is its overarching concern, the MNE can be forced to cater to the host government's wishes.[3]

Because there are different types of multinational enterprises and host countries, it is very difficult, if not impossible, for any one of these theories to embrace all the relationships that exist between MNEs and host governments. For example, the MNE in an extractive industry encounters different problems with a host government than one in manufacturing; an MNE in an industrialized country operates in a different kind of political and economic environment than one in a less developed country. Thus any theory of the relations between MNEs and nation-states can probably only aspire to limited applicability.

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[1] See George Ball, "Cosmocrop: The Importance of Being Stateless," *Columbia Journal of World Business*, November-December 1967, pp. 25-30, and Raymond Vernon, *Sovereignty at Bay* (New York: Basic Books, 1971), chap. 1.

[2] See Harry Magdoff, *The Age of Imperialism* (New York: Monthly Review Press, 1969), *passim*, and Osvaldo Sunkel, "Big Business and Dependencia," *Foreign Affairs*, April 1972, pp. 517-553.

[3] See Robert Gilpin, "The Politics of Transnational Economic Relations," in Joseph Nye and Robert Keohane, eds., *Transnational Relations and World Politics* (Cambridge: Harvard University Press, 1972), pp. 47-59.

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With this caveat in mind, this paper presents a case study of the relationship among the Arabian-American Oil Company (Aramco), Saudi Arabia and the United States. Aramco, which is the world's largest consortium, was until 1972 wholly owned by four giant American oil companies — Exxon, Standard Oil of California, Texaco, and Mobil.[4] Its job is to lift oil out of its Saudi concessions and to deliver it to its four parent companies at the Saudi port of Ras Tanura. Because of its huge size, its production of a vital commodity, and its connection with the United States, Aramco provides an outstanding case for studying the relationship among the multinational enterprise and its host and home governments.

During the October 1973 Yom Kippur War, Aramco underwent an identity crisis as the Saudi Arabian government ordered it to institute an oil embargo against the United States and Holland. The purpose of this paper is to explore the reasons why Aramco acquiesced in this demand. In order to do this, it is necessary to trace the historical development of the triangular relationship among Aramco, Saudi Arabia and the United States, and to examine the structure of the world oil industry and the changes that have taken place in it.

Aramco

Company-Producer Relations

Prior to 1970, the four parent companies of Aramco along with the three other major oil companies dominated the world oil industry.[5] This dominance stemmed primarily from the fact that the world supply of oil almost always outpaced demand, and the companies, with their multiple sources of supply, were able to determine the level of output in each producing country. This arrangement meant that the majors were invulnerable to the actions of any single country. If one producer should challenge the status quo, the majors had the capacity, as they demonstrated in Iran in 1951, collectively to boycott the country's oil and thus deprive it of access to world markets.

Company dominance, however, began to erode markedly at the end of the 1960s. The root cause of this development was the shift of oil from a buyer's to a seller's market. Greatly increased de-

[4] Exxon, Texaco and California Standard each owned 30 per cent while Mobil owned 10 per cent until 1972; in that year Saudi Arabia bought an initial 25 per cent share, and the equity of the companies was reduced proportionately.

[5] The three other majors are Gulf, Royal Dutch Shell and British Petroleum.

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mand from the rapidly expanding industrial economies suddenly outran supply and created a world oil squeeze. The shortage of oil hit the majors at a time when their position within the industry had been weakened by the entrance of scores of independent oil companies.[6] This had two important consequences for company-producer relations. First, because the independents and the majors were fierce competitors, there was little chance of the oil companies cooperating in a crisis. Second, because the independents relied heavily on only one or two countries for most of their crude oil, they were very vulnerable to the actions of those countries' governments.

The effects of the oil shortage and the emergence of the independents came to a head in Libya in 1970 when the radical government of Muamme Qadaffi challenged one of the independents, Occidental Oil. The Qadaffi government demanded unprecedented increases in the posted price and in the income tax rate, and threatened a cutoff if Occidental refused to comply.[7] At first Occidental hesitated, but because it was almost totally dependent on Libya for crude and because the majors refused to supply it with backup crude at near cost, the company relented and agreed to a 30-cent increase to $2.01 per barrel in the posted price and a rise in the income tax rate from 50 to 58 per cent.

Qadaffi immediately made identical demands on the major companies operating in Libya. The majors considered boycotting Libyan oil, but given the prevailing tight supply situation, a cutback would have caused shortages in some important markets, and consequently they agreed to terms similar to those with Occidental.

Repercussions in the Persian Gulf

The established oil producers were dismayed that an upstart Libyan colonel, whose country was a relative newcomer on the world oil market, could obtain a better deal from the same companies that operated within their borders. But Libya's bold moves demonstrated to them that the oil companies were vulnerable to pressure tactics, and they decided to employ similar measures to gain a comparable agreement.

After the Libyan episode, the companies were resigned to the fact that a new pricing agreement with the other producers was

[6] The "independents" were the smaller companies who were dependent on foreign supplies for more than 70 per cent of their oil.

[7] The posted price is the official price that the companies pay to the producing countries for crude oil; it serves as the reference price for the tax collections of the producers. Until September 1973, the posted price was pegged above the market price.

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inevitable. But in order to prevent the producing countries from constantly competing among themselves to extract better terms from the companies, both the majors and the independents agreed that a single comprehensive pricing agreement with all the producers was needed. Toward this end, the companies sought and received an antitrust waiver from the U.S. government that permitted them to negotiate as a team.

However, the Persian Gulf producers, led by Saudi Arabia and Iran, did not want their future options to be limited by a comprehensive agreement and they insisted that their negotiations be held separately. To back up their demands, they threatened production cutbacks. Because of the antitrust waiver, the companies assumed that their strategy had the support of the U.S. government, and they hoped that the United States would use its influence to modify the demands of the pro-American governments of Iran and Saudi Arabia. But in January 1971 the United States revised its position and did not challenge the Gulf producers' demand for separate negotiations.

This left the companies in an exposed position. With the supply situation already tight, a production cutback by the Gulf producers, whose exports constituted a large share of total supply, would be disastrous. Moreover, the companies did not want to provoke the producers into taking unilateral action. Such action could fracture the structure of the industry, which was based on a modicum of negotiation and compromise between the producers and the companies. Even nationalization, which had a long history in the oil industry, was not out of the question in some countries.

Under those circumstances the companies abandoned their announced strategy and agreed to separate negotiations with the Gulf producers, resulting in the Teheran Agreement of February 1971. The agreement, which was scheduled to last five years, called for an immediate posted-price increase of 30 cents to $2.15 a barrel, and a tax hike from 50 to 55 per cent.[8]

The oil companies considered the agreements made with Libya and the Gulf producers to be expensive but they hoped that their concessions had purchased security of supply and price stability for at least a few years. The companies believed that the agreements could be justified on the grounds that they changed only the distribution of benefits within the system while preserving the structure of the system itself. But the concessions made in Tripoli and

[8] The Teheran Agreement is discussed in Gurney Breckenfeld, "How the Arabs Changed the Oil Business," *Fortune*, August 1971, pp. 113-116, 190-201.

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Teheran threw into sharp relief the new weaknesses of the companies. In Libya, when one of them was threatened with a production cutback, they had been unable to cooperate among themselves, and prior to the Teheran Conference they proved unable to garner the support of the U.S. government.

In contrast, the producing countries gained a great measure of confidence from the negotiations. They were aware that economic and political conditions were swinging the balance of power in their favor, and that they now had the leverage needed to assume a greater role in the oil industry. (During the 1960s the producing countries had sent large numbers of students abroad to receive the technical education needed to master responsible positions within the oil business; thus the producing countries also had the ability to be more independent of the companies.) After successfully confronting the companies, the producers were convinced that if they continued an assertive policy, they could not only gain a greater share of the economic benefits but bring about a restructuring of the industry as well.

Aramco and Participation

In the case of Saudi Arabia and Aramco the aftereffects of the company-producer negotiations on economic issues soon spilled over into the political issue of ownership. Saudi Arabia had wanted to have participation (shared ownership) in Aramco since 1963, but the sudden shift in the balance of power between the oil companies and the producing countries gave a new urgency to Saudi aspirations and a new strength to Saudi demands.

For the four partners of Aramco, the Saudi concession was vital. Saudi Arabia was their richest source of crude, and with their other sources of supply operating at near capacity, they depended on the Saudi concession to provide the incremental barrels needed to satisfy excess demand. Equally important was that only Saudi Arabia had sufficient proven reserves to meet the projected increases in demand over the long run.

In September 1971 Saudi Arabia demanded that negotiations on participation begin immediately. Aramco, initially reluctant, was in a poor position to resist Saudi pressure. The combination of a threatened production cutback and the existence of a tense atmosphere within the oil industry, owing to Algeria's recent nationalization of CFP, the French national oil company, and Libya's nationali-

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zation of British Petroleum, induced Aramco to accept the principle of participation.

Negotiations over the terms of participation were conducted throughout the first nine months of 1972 and were consummated in October with the signature of the New York Agreement. The agreement called for the Saudis to buy an immediate 25 per cent interest in Aramco and then to increase steadily their equity until they had a controlling 51 per cent interest in 1983.

In late 1972, after the participation agreement had been signed, Aramco made detailed plans for expanding production from its current 6 million barrels a day to 13.4 million barrels a day by 1976, and 20 million barrels a day by 1983. This decision was made essentially for two reasons. First, such an increase would be necessary to help meet the projected growth of world demand, and, second, a vastly enlarged operation would help compensate the companies for their loss of equity.

But if this vision were to mean anything, Aramco would need the preferential right to buy back Saudi Arabia's increasingly large share of crude; otherwise Aramco's rivals could buy a share of Saudi oil. Saudi Arabia and Aramco, however, were unable to agree on the price which Aramco should pay for participation oil, and as a result the Saudis refused to approve Aramco's plans for enlarging its productive capacity, and warned that if their demands were not met, production cutbacks would result.[9]

Aramco and American Foreign Policy

By holding Aramco's expansion plans in a state of uncertainty, the Saudis gained considerable leverage over Aramco. Moreover, the greatly increased revenue flowing into the Saudi treasury from the provisions of the Teheran Agreement gave the Saudi government a large enough cash reserve to make conservation of oil a feasible policy. This provided Saudi Arabia with further bargaining power over Aramco.

Saudi Arabia had always been unhappy with the United States' pro-Israel foreign policy and decided to use its power over Aramco to try to change that policy. In May 1973, at a meeting with the chief executives of Aramco, King Faisal warned that if American Middle East policy did not change, then the "traditional friendship for American business interests in the Arab world and especially

[9] The participation negotiations are discussed in U.S. Senate, Foreign Relations Committee, *Report on Multinational Corporations and U.S. Foreign Policy*, 93rd Congress, 2nd Session, 1975, pp. 134-140 (hereafter, *MNC Report*).

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Saudi Arabia will not be preserved." The king went on to say that he expected Aramco to help make the change in American foreign policy possible.[10]

In response to Saudi pressure, Aramco actively sought to influence American Middle East policy. In June 1973 it communicated King Faisal's threats to high-level foreign policy officials in the State Department and the White House. The government, however, did not take seriously Aramco's warnings that there was an imminent danger to American oil interests in Saudi Arabia.

Undaunted, Aramco tried to influence U.S. military officials and congressmen visiting Saudi Arabia. The standard Aramco briefing said:

> the incentives for limiting production are so strong that only political considerations of overriding size and importance could persuade Saudi Arabia to continue the policy of expanding production which will be necessary to supply the present and future needs of the United States.
>
> What could such considerations be? We would like to suggest that there is only one realistic possibility; if the United States were to adopt a neutral position on the Arab-Israeli dispute and a pro-American rather than a pro-Israeli policy in the Middle East.[11]

The individual partners of Aramco also made statements seeking to influence American public opinion. In an open letter to his company's stockholders, the chairman of the board of California Standard said that "there must be understanding on our part of the aspirations of the Arab people and more positive support of their efforts towards peace in the Middle East."[12] Meanwhile, Mobil placed an advertisement in the *New York Times* which stated that "the future economic welfare of the Western world depends on Arab oil reserves, especially Saudi reserves." Therefore, Mobil concluded, "the United States must recognize the legitimate interests and aspirations of the Saudis . . . because in the last analysis we will need the oil more than Saudi Arabia will need the money."[13]

Thus as the Yom Kippur War approached, the balance of power between Saudi Arabia and Aramco tilted decisively in favor of Saudi Arabia. The main concern of Aramco was to protect the

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[10] U.S. Senate, *Multinational Petroleum Companies and U.S. Foreign Policy, Hearings* before the Subcommittee on Multinational Corporations of the Committee on Foreign Relations, 93rd Congress, 2nd Session, 1975, pt. 7, p. 509 (hereafter, *MNC Hearings*).

[11] *MNC Hearings*, pt. 7, p. 528.

[12] *Ibid.*, pp. 512-513.

[13] *New York Times*, June 6, 1973.

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future of its investment, and in this endeavor it was willing to exert whatever political influence it could muster to affect American foreign policy and public opinion.

Saudi Arabia

Attitudes Toward the United States and the Oil Companies

In an effort to counterbalance the power of the major oil companies, the producing countries formed the Organization of Petroleum Exporting Countries (OPEC) in September 1960. In the ensuing years, some members of OPEC advocated confrontation with the companies but Saudi Arabia sought accomodation with them. Aware that the producers needed the companies' access to world markets and fearful that nationalization would cause the companies to try to drive down the price of crude, the Saudis made assimilation into the world oil business their goal, and they took a major step in reaching it with the October 1972 participation agreement.

In addition to following a moderate policy toward the oil companies, Saudi Arabia was also staunchly anticommunist. These two factors made the Saudis natural allies of the United States. After the Israeli occupation of Arab land in the 1967 Six Day War, however, an antithetical line of Saudi foreign policy, anti-Zionism, became increasingly pronounced.

For many years Saudi Arabia's involvement in the Arab-Israeli conflict had been muted because of its strained relations with Egypt. Under Gamal Abdel Nasser, Egypt followed a pro-Soviet foreign policy and repeatedly denounced the Saudi monarchy as archaic. But following the death of Nasser in 1970 and the accession to power of the less radical Anwar Sadat, the Saudis forged an alliance with the principal Arab confrontation state.

This new alignment caused a problem in Saudi Arabia's relations with the United States, who after 1967 was Israel's only major ally. It became increasingly clear that the two main elements of Saudi foreign policy, friendship with the United States and opposition to Israel, were in conflict. Consequently, Saudi Arabia began to look at Aramco, its only bargaining chip vis-a-vis the United States, as a diplomatic tool which could be used to change American Middle East policy and thus make friendship with the United States and opposition to Israel compatible.

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Evolution of the Oil Weapon

The dramatic increase in oil revenue after the Teheran Agreement furnished Saudi Arabia with new foreign policy options. This was so not only because of the size of the revenue increases but also because there were few domestic claims on the new wealth. Saudi Arabia was a sparsely populated country of approximately five million people, a great many of whom lived as nomads in self-sufficient tribal communities. This meant that the central government did not need to allocate a large share of its resources for public services. With revenue pouring in at an unprecedented rate, the Saudis soon accumulated a large budget surplus which could be exploited in the pursuit of foreign policy goals.

This situation produced two important consequences. First, it gave the Saudis considerable leverage over Aramco. To meet its financial needs and maintain a comfortable budget surplus, Saudi Arabia needed to produce only about 5.5 million barrels of oil a day. However, in order to help meet the ever growing world demand for oil and to enhance the profitability of its operation, Aramco had by the summer of 1973 brought production up to 9 million barrels a day. This gave the Saudis the opportunity to link continued high production levels with Aramco's willingness to try to influence American Middle East policy. Secondly, Saudi cash reserves were for the first time large enough simultaneously to finance Arab war preparations and to institute an embargo against some industrial countries for an extended period of time.

The availability of the second option had portentous consequences for the general state of affairs in the Middle East. After the 1967 war, Israel had occupied the Egyptian Sinai, the Syrian Golan Heights and the Jordanian West Bank, and declared that it would make territorial concessions only in return for what it deemed to be a secure peace agreement. Under those circumstances the Arabs felt that they were dealing from an intolerable position of weakness, and refused to enter into negotiations. By 1973 Egypt and Syria had decided that only war could break the diplomatic deadlock and make possible the return of occupied Arab land.

The strategy of Egyptian President Sadat was different from that of Nasser. Whereas Nasser had relied to a large degree on support from the Soviet Union, Sadat chose to reduce the level of Russian aid and to compensate for it by relying on Saudi Arabia. In Saudi oil revenues, Sadat saw the key to financing the war, and in Saudi oil reserves, he saw a useful tool for bargaining with the oil-

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thirsty industrial nations, especially the United States. By this time, owing to the rise of the anti-Zionist element of its foreign policy and its rapprochement with Egypt, Saudi Arabia was receptive to such a strategy.[14]

In an effort to separate the United States from Israel, Saudi Arabia warned both the U.S. government and Aramco that oil production would be curtailed if American support for Israel continued. When Aramco's efforts to change American foreign policy failed, King Faisal bluntly warned the United States that he was prepared to use oil as a political weapon. In a September 1973 interview, he said:

> The United States must abstain from adopting biased attitudes and from giving unlimited aid to Israel, which has resulted in increased Israeli arrogance. America is, to a large extent, responsible for rectifying this situation. . . . If no American response is forthcoming, one of the conditions for increased oil production will not have been satisfied. We shall view the matter exclusively from the viewpoint of self interest. With oil reserves limited and prices certain to rise, self interest would dictate a cutback in production.[15]

Thus as the October war approached, the Saudis saw their oil more as a diplomatic tool than an economic commodity. Aramco became hostage to Saudi Arabian foreign policy.

The United States

The Dualism of America's Middle East Policy

From the time Israel was created, the United States tried to follow a dualistic policy in the Middle East. On the one hand, America felt a strong moral commitment to Israel's survival, originating in Washington's primordial role in the establishment of Israel, and this was reinforced by the continued feeling of a large segment of the American public and numerous influential members of the U.S. Congress that the Jews deserved a state of their own after their brutal treatment by Germany during World War II. On the other hand, the United States badly wanted to stay on good terms with Saudi Arabia because, after 1947, the cheap oil flowing from Saudi Arabian wells was a vital factor in American foreign policy.

The cornerstone of postwar U.S. foreign policy, containment of communism in Europe, involved the rebuilding of the West

[14] For an analysis of how the Arabs planned for the war, see Mohammad Heikal, *The Road to Ramadan* (New York: Ballantine, 1975), pp. 268-279.

[15] *Newsweek*, September 10, 1973, p. 36.

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European countries so that they would be prosperous enough to prevent the domestic growth of destabilizing leftist parties and strong enough to deter Soviet aggression. Economic recovery required inexpensive oil and one of Europe's prime sources of cheap oil was Saudi Arabia. Although the United States imported very little Saudi oil itself, Washington believed that it was essential to have good relations with Saudi Arabia and to protect Western interests in the Middle East. From this policy flowed the U.S. attitude toward Aramco.

The United States and Aramco

Washington's eagerness to please Saudi Arabia became manifest in 1950 when King Ibn Saud demanded a substantial increase in revenue from Aramco. The Truman administration was sympathetic to this demand but did not want Aramco to pay higher royalties because the companies would only protect their profit margins by raising prices. The net result would be more expensive oil for the still shaky economies of Western Europe. As an alternative, the United States instituted a plan whereby Aramco paid 50 per cent of its profits to the Saudis as income tax and received a tax credit in the United States as compensation. In this way money which had previously gone to the U.S. Treasury went instead to Saudi Arabia.

The importance of using Aramco as a means to preserve cordial relations with Saudi Arabia was further demonstrated in 1953 when the Eisenhower White House vitiated an attempt by the Justice Department to take antitrust action against the Aramco partners. The White House directive stated:

> It will be assumed that the enforcement of the antitrust laws against the Western oil companies operating in the Near East may be deemed secondary to the national interest served by:
>
> (1) Assuring the continued availability to the free world of the sources of petroleum in the Near East, and
>
> (2) Assuring continued friendly relationships between the oil producing nations of the Near East and the nations of the free world.[16]

Thus the United States forsook domestic economic and legal considerations in order to advance its foreign policy interests, which at the time coincided with the interests of Aramco.

Washington was aware that Aramco was essential to the well-being of Saudi Arabia. If the parent companies of Aramco were

[16] *MNC Report*, pp. 65-66.

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to decide to lower substantially the posted price or to rearrange production levels to Saudi Arabia's disadvantage, it could precipitate a severe crisis in the Saudi economy. The United States might then have to send large doses of direct foreign aid to Saudi Arabia to stave off political instability. Therefore the United States saw Aramco as playing a vital role in American foreign policy. This attitude was stated explicitly in a 1952 National Security Council memorandum: "Since oil is the principal source of income in the Middle Eastern countries . . . the economies and political existence of these countries depends on the rate and terms on which oil is produced. Since the rate and terms are to a large extent under the control of the oil companies . . . the American oil operations are, for all practical purposes, instruments of our foreign policy toward these countries."[17]

That the Aramco partners were privately owned rather than national companies made them excellent tools for helping the United States to pursue its dualistic policy in the Middle East. On the one hand, Aramco helped keep Saudi Arabia financially solvent, while, on the other, it escaped identification with the United States' pro-Israeli policy. Thus Aramco could act to further Western interests without incurring the liabilities of being a representative of the U.S. government.

Through the 1950s and 1960s there was no formal agreement between Aramco and Washington on a common policy toward Saudi Arabia. But since both sides wanted to keep the Saudis contented and pro-Western, and because each party was eager to have good relations with the other, tacit cooperation resulted.[18]

The Eisenhower Doctrine

In the aftermath of the 1956 Suez War, the United States found that it could no longer rely exclusively on the oil companies to protect and further Western interests in the Middle East. After 1956 Egyptian President Nasser, with the support of the Soviet Union, initiated a pan-Arab policy aimed at replacing conservative pro-Western regimes with radical pro-Egyptian ones. To counteract this drive, the United States in 1957 formulated the Eisenhower Doctrine, the premise of which was that the preservation of the independence and integrity of Middle East countries was vital to American security. It declared, therefore, that the United States would be

[17] *Ibid.*, p. 62.

[18] For a discussion of the relationship between the United States and Aramco, and of Aramco's role in U.S. foreign policy, see *MNC Report*, pp. 77-87.

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willing to use military force to assist any Middle East government requesting assistance against armed aggression from any domestic or foreign group controlled by international communism.

The Eisenhower Doctrine was an enforceable, and thus credible, policy from the late 1950s through the mid-1960s because the United States enjoyed a commanding military superiority over the Soviet Union. At the strategic level, the United States had an overwhelming nuclear superioriy, which helped quell Soviet adventurism in the Middle East as well as in other places. At the tactical level, the United States possessed the capability of landing amphibious and airborne troops into the Middle East on short notice. The Soviet Union had neither a similar capability nor the ability to counteract the United States.

The United States employed the Eisenhower Doctrine in 1958 when a civil war broke out in Lebanon between the pro-Western Christians and the pro-Egyptian Moslems. With Lebanon, Jordan, and Saudi Arabia the only pro-Western Arab states, the United States militarily intervened in order to preserve the pro-Western status quo in Lebanon. From its position of military inferiority, the Soviet Union could only make public statements denouncing the intervention. Thus the United States demonstrated emphatically that if necessary it was willing to use military force to protect its interests in the Middle East.

The Erosion of American Energy Security

The dangers inherent in the dualism of American Middle East policy were presaged during the 1967 Six Day War. The war caused the usually quarreling Arab states to unite against their common enemy, Israel, and its chief ally, the United States.

When Israel believed that war was imminent, it launched a pre-emptive strike against Egypt, Syria and Jordan. President Nasser immediately declared that the United States was in some way involved in the attack, and implored all Arab oil-producing states to embargo the United States. Saudi Arabia, fearing ostracism from the Arab world if it did not comply, reluctantly joined the boycott.

In 1967, however, as both the Saudis and the Americans were well aware, the United States was for practical purposes invulnerable to a Saudi oil shutdown. In 1959 the United States had instituted mandatory oil-import quotas in order to encourage the rather expensive process of finding new domestic reserves. Hence, in 1967 only 19 per cent of American consumption consisted of

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imports, and only 2.5 per cent of consumption depended on Saudi oil. When the Saudis and the other Arabs organized the boycott, the United States easily made up the shortfall by increasing imports from Iran and Venezuela, and by utilizing its own 4-million-barrel-a-day spare capacity. In less than a month Saudi Arabia, which did not have sufficient cash reserves to withstand a prolonged embargo, recognized the futility of the boycott and abandoned it.

After 1967, the United States' energy security began to erode as a result of three main factors. First, after 1970 the United States exhausted its spare capacity; domestic production fell from 11.2 million barrels a day in 1970 to 10.8 million barrels a day in 1973. Second, the United States' demand for energy grew dramatically as its energy-intensive industries began operating at near capacity. Third, most of this stepped-up demand was deflected towards foreign oil because the government had previously established price regulations on natural gas, producing a sluggish response to increased demand, and because environmental legislation had inhibited the use of coal and nuclear energy.

With foreign oil, especially that from the Middle East, so cheap and with the 1967 embargo so ineffective, the Nixon administration allowed more and more imported oil to flow into the United States. Finally, in April 1973, import quotas were dispensed with altogether and replaced by small tariffs. In 1972 the U.S. imported 4.7 million barrels of oil a day or 28 per cent of its consumption. By September 1973 oil imports had swelled to 6 million barrels a day or 35.5 per cent of consumption. From this total, 12 per cent or about 720,000 barrels a day came from Saudi Arabia.[19]

The Decline of U.S. Power in the Middle East

While its oil imports from the Middle East were rising, the United States lost its monopoly on military intervention in the region. After its humiliation during the Cuban Missile Crisis, the Soviet Union carried out a massive strategic arms-buildup program, and by 1972 achieved rough strategic parity with the United States. This new relationship of superpower equality, which was codified in the May 1972 Moscow arms control agreements, gave the Soviets the confidence to pursue a more aggressive foreign policy. The United States could not assume that the Soviets would back down from a superpower confrontation in the Middle East the way they had in Cuba.

[19] See James McKie, "The United States and the Crisis," *Daedalus*, Fall 1975, pp. 73-85.

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Moreover, by the early 1970s the Russians had acquired an intervention capability of their own. Imitating the United States, the Soviet Union developed special airborne and amphibious forces that enabled it to project its power long distances from its home territory. This intervention capability vis-a-vis the Middle East was enhanced by the build-up of the Soviet Union's Eastern Mediterranean naval fleet. Thus by 1973 the Russians were able to match the United States' ability to intervene in the Middle East.[20]

In an international system where low-level violence between the superpowers could escalate into nuclear war, this new equilibrium had an important consequence for the United States. Because the United States and the Soviet Union had similar intervention capabiilties, they were much less likely to use them. With its military option neutralized, the United States' ability to protect its interests in the Middle East was significantly reduced.

Along with the purely military factors, there were political and psychological forces which limited American power in the Middle East. Since the 1950s a postcolonial ethic of egalitarianism had been permeating world politics. This new spirit, which stressed the idea that the Third World countries should be treated as equals by the West despite their lack of power, made military intervention seem intolerably atavistic to large segments of the American public and to practically everyone in the Middle East. Therefore, in contrast to the Lebanon episode, an American intervention into Saudi Arabia would probably produce sharp dissent at home and guerrilla resistance in Saudi Arabia.

The New American Attitude Toward the Companies

During the years when its energy security was eroding and its relative military power declining, the United States followed an ambiguous policy toward the oil companies. In 1970, when Libya demanded a higher posted price and a hike in the income tax rate, the United States showed that it no longer considered its interests identical with those of the companies. While the companies felt threatened and looked to Washington for help, the Nixon administration chose to do nothing. This decision stemmed from Washington's recognition that the United States had little influence over the revolutionary government of Colonel Qadaffi, as well as from the American belief that Western Europe's keen desire for Libyan oil

[20] See Avigdor Hasselkorn, *The Evolution of Soviet Security Strategy, 1965-1975* (New York: National Strategy Information Center, 1977), pp. 47-51.

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would render ineffective a company-imposed boycott. But alongside these objective considerations was the attitude among high-level U.S. energy-policymakers that future good relations between the companies and the producers required a more equitable balance of power. As a result, those officials were sympathetic to Libya's demands.[21]

The unwillingness of the U.S. government to back up the companies became readily apparent in early 1971 when the companies turned to Washington for help in persuading the shah of Iran to accept their proposal for an OPEC-wide price negotiation. The United States was in a fairly strong position to influence the shah. In 1954, through the use of the Central Intelligence Agency, the United States had helped the shah return to power after the three-year reign of Mossadeq, and in the following years it had consistently provided Iran with diplomatic support and military assistance.

The Nixon administration at first facilitated the Companies' efforts by providing them with an antitrust waiver so they could negotiate as a team. But in January 1971 Undersecretary of State John Irwin visited Iran and thereafter American policy changed. In an effort to keep on good terms with the shah and to prevent an impasse which might disrupt the flow of much-needed oil, Irwin told the shah that the United States was not in the oil business and did not intend to get involved in the upcoming negotiations. Upon his return, Irwin recommended and the Nixon administration adopted the policy of nonopposition to the shah's scheme for separate negotiations for the Gulf producers.

Significantly, this sudden shift of policy was done without consulting the oil companies. It was thus made obvious both to Aramco and Saudi Arabia that the United States and the oil companies could not agree on a common policy. This could only have emboldened Saudi Arabia to make more demands of Aramco.[22]

The Failure to Perceive the Coming of War

During the summer of 1973 the United States failed to anticipate the coming of a fourth Middle East war and the attendant possibility of an oil embargo. In May 1973 King Faisal warned Aramco that if American support of Israel continued, U.S. oil interests would be seriously endangered. The four Aramco partners re-

[21] Foremost among the pro-producer officials was James Akins, director of the State Department's Office of Energy and Fuels. See *MNC Hearings*, pt. 5, pp. 3-5.
[22] *Ibid.*, pp. 147-149.

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layed this message to the Nixon administration but, with Saudi Arabia's long history of friendship toward the United States, Washington did not perceive the situation to be as ominous as the companies believed. Aramco recorded the government reaction this way: "The general atmosphere was attentiveness to the message and acknowledgement that a problem did exist but a large degree of disbelief that any drastic action was imminent or that any measure other than those already underway were needed to prevent such from beginning. The impression was given that some believe HM [His Majesty King Faisal] is crying Wolf when no wolf exists."[23]

The Nixon administration believed that only war could provide the necessary impetus for another embargo, and it did not see war as likely in the near future. It took this view for two reasons; the first concerned the local balance of power in the Middle East, the second concerned the Soviet-American detente.

The Nixon administration believed that Israel's military strength was so overwhelming that the Arabs would not chance to start a war they could only lose. Moreover, the administration felt that the Arab countries were too divided and their leadership too undistinguished to make the necessary preparations for war.

The United States also felt that the Arabs could not start a war without the support of the Soviet Union, and it did not believe that such support would be forthcoming. In the summer of 1973 the Nixon administration thought that the U.S.-Soviet detente, which had begun in earnest the year before, was sufficiently strong to prevent Russian adventurism in the Middle East. In any event, Soviet-Egyptian relations seemed to be at a low point after Sadat expelled Soviet advisers from Egypt in July 1972.[24]

Because it did not think that war was imminent, Washington did not foresee the strong possibility of an embargo. Consequently, it allowed Arab oil imports to rise significantly and thus made the likelihood of an embargo even greater. Furthermore, because Washington failed to recognize that Saudi Arabia's anti-Zionism had come to outweigh its pro-Americanism, it did not anticipate that Saudi Arabia would use Aramco as a means for waging economic warfare against it. With the Soviet Union virtually neutralizing American military power in the Middle East and American public opinion, in the aftermath of Vietnam, generally hostile to

[23] *MNC Hearings*, pt. 7, p. 509.

[24] See Marvin Kalb and Bernard Kalb, *Kissinger* (Boston: Little, Brown, 1974), pp. 450-459, and Harvey Sicherman, *The Yom Kippur War: End of Illusion?* (Beverly Hills: Sage, Foreign Policy Paper no. 4, 1976), pp. 36-38.

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intervention, there was little the United States could do to protect Aramco.

Aramco and the Embargo

The Yom Kippur War brought to a head three trends which had been developing during the previous four years: the change in the balance of power between the companies and the producers, the intensification of Saudi Arabia's anti-Zionism, and the relative decline of American power in the Middle East as U.S. consumption of Middle East oil increased. The confluence of these factors had a fateful effect on Aramco.

On October 8, the day after Egypt and Syria had invaded Israeli-occupied territory, OPEC and the companies held a previously scheduled meeting in Vienna concerning oil prices. In August the market price of oil had for the first time exceeded the posted price and because the Teheran Agreement prevented the producers from benefiting from such a situation, OPEC demanded a new pricing agreement. However, the representatives of the producers and the companies were unable to come to terms and left Vienna on October 14. Two days later the producers meet separately in Kuwait and unilaterally raised the posted price by 70 per cent to $5.12 a barrel.

While the Vienna negotiations were taking place, Israel was suffering military reverses and was rapidly depleting its supply of materiel. As a result, it urgently requested the United States to resupply it with arms. The Saudis then informed Washington that they would retaliate with an embargo if it aided the Israelis. On October 19th President Nixon authorized a $2.2-billion weapons airlift to Israel, and Saudi Arabia immediately ordered Aramco to reduce production from September levels by 10 per cent and to embargo all oil shipments to the United States, thus making for a total production cutback of 23 per cent. The other Arab oil-producing countries also embargoed the U.S. while they each cut back production by about 5 per cent. As soon as the war began, Aramco was painfully aware of its vulnerability to punitive action by the Saudis on the questions of the posted price, the cost of participation oil and future production growth. On October 12, during the period of Israeli military setbacks, the four executive officers of Aramco sent a message to Washington in an effort to dissuade the Nixon administration from resupplying Israel with arms. The letter emphasized the importance of Saudi oil to the economic well-being

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of the United States and its allies, and underscored Saudi Arabia's resentment of American military support of Israel. Warning of harsh Saudi action against both the United States and Aramco if this support persisted, the Aramco executives concluded by stressing what they considered to be the dire economic and strategic consequences of resupplying Israel:

> The bulk of the oil produced in the Persian Gulf goes to Japan and Western Europe. These countries cannot face a serious shut-in. Regardless of what happens to American interests in the Middle East, we believe they will of necessity continue to seek Middle East oil and that they may be forced to expand their Middle East supply positions at our expense.
>
> Much more than our commercial interests in the area are now at hazard. The whole position of the United States is on the way to being perilously impaired with Japanese, European, and perhaps Russian interests largely supplanting United States presence in the area, to the detriment of both our economy and our security.[25]

When Aramco's pleadings went unheeded and Saudi Arabia ordered Aramco to cut back production by 10 per cent and to embargo the United States, Aramco obediently responded by cutting production by slightly more than 10 per cent and by administering the embargo so tightly that the United States could not buy Saudi oil through third parties. Frank Jungers, the president of Aramco later said: "The important thing was to give the immediate image of being *with* the [Saudi] government, not trying to fight it."[26]

In the following days Saudi Arabia threatened to nationalize Aramco at "gunpoint" if the consortium sought to circumvent the embargo.[27] Aramco, realizing that the U.S. government could do virtually nothing to protect it, obeyed Saudi orders to the letter. In fact, Aramco's actions were so much in line with Saudi Arabia's wishes that Oil Minister Yamani referred to Aramco as a "national asset."[28] In an October 24 memorandum, Jungers reported on how pleased with Aramco Saudi Arabia was: "My [Saudi] contact indicates great satisfaction with Aramco . . . in taking a pro-Arab stand. . . . After I remarked that these things had been difficult and that the cutback had not been good for our business, he remarked, 'we hope to reward you' and I took this in the context of future growth."[29]

During the crisis Aramco unequivocally sided with Saudi

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[25] *MNC Hearings*, pt. 7, p. 547.

[26] Quoted in Allan Demaree, "Aramco Is a Lesson in the Management of Crisis," *Fortune*, February 1974, p. 154. (Emphasis in original.)

[27] *MNC Report*, p. 146.

[28] *MNC Hearings*, pt. 7, p. 418.

[29] *Ibid.*, p. 514.

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Arabia. The results of this action were costly to the United States. The embargo, which lasted until March 19, 1974, deprived the American economy of needed oil and caused nationwide shortages. Moreover, Saudi Arabian oil was denied to U.S. military forces. This was particularly upsetting during the war when the United States threatened to intervene militarily on behalf of Israel in order to counter a threatened Soviet intervention on the side of the Arabs. Thus during the war and the embargo, the interests of the United States and Aramco were almost diametrically opposed.

But while Saudi Arabia was able to coerce Aramco into cutting back production and embargoing the United States, it could not prevent the four parent companies of Aramco from using their worldwide resources to mitigate the effects of the oil shortage. Throughout the period Exxon, Mobile, Texaco, and California Standard, as well as the three other majors, greatly increased production from their wells in non-Arab countries. Without interference from the consuming nations, the companies then allocated oil supplies as fairly as possible and thus were able to keep the shortage in any single country to a minimum. Consequently, the effects of the embargo on the United States were less severe than they might have been, and there was very little pressure on the U.S. government to diminish its support for Israel.

Conclusion

The four Aramco partners succumbed to the political demands of Saudi Arabia because Aramco constituted a vital part of their respective MNE systems. With oil scarce and demand expected to rise, they badly needed the great spare capacity that only the Saudi concession could provide. Moreover, the companies desperately wanted to protect the huge amount of capital they had invested in Saudi Arabia. Because its prime motivating force was to maximize economic not political values, Aramco made the required political concessions.

By 1973 Aramco was almost defenseless against Saudi demands. The combined power of the majors, which was based on prorationing production and providing orderly access to markets, had dissipated in an oil-short world filled with dozens of independent oil companies. Stripped of their own power, the companies could only look to their home country. But American power had also faded. Economically, there was an asymmetrical interdependence between the United States and Saudi Arabia. There were no Saudi

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investments in the United States even remotely comparable to Aramco, and therefore the Saudis could threaten nationalization with economic impunity. Militarily, U.S. power in the Middle East was restrained due to the superpower standoff, while politically it was curbed by the hostile domestic attitude toward intervention in the wake of the Vietnam war.

Aramco was thus left practically naked to the power which sanctioned its existence, and, as a result, it dutifully followed Saudi Arabia's orders to use oil as a political weapon against the United States.

But it cannot be concluded that the Aramco case fits neatly into the MNE-as-hostage theory. During the embargo, the Aramco partners and the other major oil companies acted as independent transnational institutions for the allocation of oil. That the consuming nations had their supply of oil, the lifeblood of their industrial societies, determined by the companies lends at least some credence to the notion of the MNE as a sovereignty-weakening institution.

Further clouding the issue is the tacit cooperation between the U.S. government and Aramco during the 1950s. At that time the United States provided the four companies with tax breaks and relief from antitrust prosecution so that Aramco could more easily advance the American foreign policy objective of supplying the West with cheap oil. This symbiotic relationship lends at least some credence to the concept of the MNE as a foreign policy tool of its home country.

The relationship of Aramco with its home and host countries does not conform to any single pattern. Aramco's relations with the United States and Saudi Arabia depended on the political and economic relations between the two countries and on the state of the world oil business. At times circumstances permitted Aramco to follow a fairly independent course, while at other times Aramco was forced to look to Washington for help or to bend to the will of the Saudis. The Aramco case shows that the MNE–nation-state relationship can be a protean one.

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LETTERS TO THE EDITOR

Reflections on Neuman

TO THE EDITOR:

In her recent article "Security, Military Expenditures and Socio-economic Development: Reflections on Iran" (Fall 1978 ORBIS), Stephanie Neuman set out to discuss the issues involved in current debates about the effect of military spending on development. Sharply critical of the research methods of macrostatistical study, and of numerous analysts who have concluded that high military spending has a negative impact on development, she proposed an alternative research method based on individual case studies. Although Neuman accurately identified some of the main issues in this debate, her discussion is ultimately not very helpful either for understanding the relationship between military spending and development, or for formulating appropriate research techniques. We shall seek to demonstrate the flaws in her critique of macrostatistical study and the inconsistencies and weaknesses of her own positions.

We begin, however, by agreeing with Neuman that macroeconomic statistics must be handled with care, can often be misleading and unreliable and do not automatically reveal relationships between variables. Indeed, if anything, her discussion of the methodological problems of handling such data (pp. 570-579) understates the problems. But she appears to be unfamiliar with the econometric and statistical methods which can be deployed precisely to allow for weaknesses, unreliability and possible inconsistency in data. Moreover, the sensible researcher applying such techniques specifies the theoretical models within which the data are deployed, and notes explicitly the problems so that results may be presented with due caution.

Neuman's discussion does not distinguish between conceptual limitations which make macrostatistical analysis impossible (or invalid) *in principle* and those problems in current models and data which make it difficult *in practice* to apply to underdeveloped countries. These two separate issues are conflated by Neuman's discussion. The importance of the distinction is shown by the case of NATO countries, where macrostatistical analysis can use long runs of

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good data based on consistent definitions, with clear theoretical models relating the share of military expenditure in gross national product to other measured variables such as investment and unemployment.[1] In this case, the limitations in method discussed by Neuman do not apply. So her discussion leaves unclear whether the objection is to macrostatistical analysis under any circumstances, or to such analysis in the context of readily evident data problems.

Neuman also seems to us to be guilty of setting up "straw men." Thus, when she observes that to identify the share of GNP spent on the military "neither establishes nor explains a relationship between two variables" (p. 580), she is clearly correct. To measure the GNP share devoted to military preparations does no more than measure the proportion of resources devoted to military uses and need not imply any theory about the relationship of the denominator to the numerator. But Neuman insists on this point, arguing that the effect of increased military spending on the economies of underdeveloped countries is not an empirically observed fact (p. 581), and, again, that "no empirical relationship between the variables has as yet been established" (p. 583). We wonder what an "empirical relationship" would look like if one were found. The relation between one phenomenon (e.g., military expenditure) and another (e.g., economic growth or stagnation) is not a fact — it is a conceptual construct. If, over time, the variables behave the way the conceptual construct suggests they ought to, then it has good explanatory power; and, depending upon how closely the phenomena conform to the model, it can be relied on to a lesser or greater extent. This is surely a very basic observation, which should hardly need to be made.

The reason why the GNP share is a widely used statistical basis for cross-country comparisons is that it is a pure number, thus avoiding the problems of prices and exchange rates to which Neuman draws attention. (pp. 571-572.) Although the GNP share must still be handled with care, it provides a natural comparative indicator independent of monetary units. The indicator, of course, does not constitute a theory, but does provide a potential explanatory or dependent variable within a theory. Thus, while we concur with Neuman that "analyzing the percentage of GNP spent on the military is an inconclusive test of the consequences of military spending" (p. 570) — indeed, we think this much is obvious — it does not constitute an argument against macrostatistical analysis per se.

[1] See, for example, R. P. Smith, "Capitalism and Military Expenditure," *Cambridge Journal of Economics*, March 1977, and "Capitalism and Military Expenditure: A Reply," *ibid.*, September 1978.

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Neuman's alternative is an approach based upon painstaking case studies, illustrated by an account of her research in Iran. It is hardly necessary to say that case studies face many of the same conceptual problems as macrostatistical analysis — i.e., the problems that are inherent in any empirical evaluation of theoretical models. For example, choice of sample is equally crucial in case studies and macrostatistics and, in Neuman's example, raises the question of whether her interviewing in Iran included religious and other opposition groups. Unless the case study is based on a collection of personal impressions and experiences — the researcher's own and those of the people he or she interviews — some use will have to be made of statistics, including economic statistics. The data which end up as macrostatistics start out as microstatistics, and data problems exist at the national level at least as much as at the international level. Indeed, one could argue that one value of cross-country comparison is that it helps in isolating "maverick" national data and in reducing their negative effect on the analysis: at a national level such controls do not exist. If we assume that this problem can be solved, there is still a need to identify which facts are important. Unfortunately, Neuman's approach, apparently unconsciously, rules out the possibility of making this identification. Thus, while toward the end of her article she suggests that researchers begin case studies "by collecting data on variables thought to be related to the security-and-development issue" (p. 593), earlier arguments, if taken seriously, deny the analytic integrity of choosing variables in that way.

The part of her article which has this effect is her discussion of conceptual limitations. (pp. 579-587.) Neuman's analysis is particularly hard on what she calls "Intuitive Flights of Fancy and Ideological Biases." (p. 580.) Lack of clarity about the relationship between variables leads, she argues, to analysts acting "intuitively." As we have said, the relation between two or more phenomena is a conceptual construct, which may have more or less explanatory power. To argue about the relation, to state that it takes a particular form with particular effects, is to argue *theoretically,* not — as Neuman puts it — intuitively. It is partly on the basis of the coherence of the theoretical model and arguments concerning the use of given data that one is able to tell the difference between good and bad statistical work. But if theory is banned, then the difference eludes one. It is equally on the basis of a theoretical approach to the problem that one can identify what variables should be studied, what are important facts and what

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their significance is. If theory is excluded, then any fact is as important as another and there are no criteria for guiding research. Moreover, a coherent theoretical structure can guide researchers through those murky places where data are problematic.

The use of two particular concepts is given short shrift by Neuman: (1) opportunity or resource costs, "based on intuition rather than empirical observation" (p. 583), and (2) militarism (pp. 581-582). The weakness of Neuman's substantive positions can in part be demonstrated by reference to these two concepts.

She quotes an Iranian admiral to show that one of the unanticipated economic benefits of Iranian military spending has been the ability of the military to invest in areas in which private investors are unwilling to take risks: "So without the military some of these industries would not be started." (p. 591). On the same page, she cites a "leading industrialist" to show that "the construction of ports, roads, houses and bases pulls men out of the small villages, providing them with work and increasing their purchasing power. Employment by the military serves the same functions." She fails, however, to ask whether the particular areas where the Iranian state has invested through the military are the best ones. Might those investment resources have been better used elsewhere? Could there be other ways of increasing people's purchasing power, through a different use of resources, than the construction of roads and the like for the military? Had Neuman not rejected the concept of resource costs, she would have had a way to ask, and give an approximate answer to, those questions. As she does not ask them, one cannot derive conclusions about how economic resources should be allocated, or about whether military spending is more or less useful for channeling investment and increasing purchasing power. Her rejection of this concept necessarily limits the usefulness of her analysis.

Just as the concept of resource costs is a necessary theoretical tool in raising and analyzing questions of economic allocation, so the concept of militarism (on which there is a large literature)[2] highlights important questions of social organization, the source of state authority and the basis of legitimacy, which seem particularly relevant to the case of Iran. It is striking that, while unearthing fascinating details about the social effects of the Iranian military, Neuman passes over the most obvious forms of

[2] See many of the works cited by Neuman on pp. 580-583 of her article, to which list should be added a useful survey article with annotated bibliography: Mary Kaldor, "The Military and Development," *World Development*, vol. 4, no. 6 (1976).

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military presence in the Iranian polity. Had she not rejected the concept of militarism, her analysis might have had more immediate relevance to the events of 1978-1979.

We would certainly agree with Neuman that in assessing the costs and benefits of military expenditure to a society, the value of "security" must be included in the calculation. But security, like resource costs and militarism, is not a simple concept and is not immune to ideological contamination. At the very least one would wish to distinguish between the security of a ruling elite from popular opposition and the security of a nation-state from external attack or foreign domination.

The objection to concepts such as militarism and resource costs is based, it seems, on Neuman's objection to the "ideological biases" she finds in work which uses such concepts. She argues forcefully that research on this issue "has been grounded in the ideological assumptions of the authors." (p. 583.) Accepting that value judgments are an integral part of research, she nevertheless suggests that present debates are fruitless and can only be resolved by finding "some new conceptual and methodological approach."

It is certainly possible for two coherent theoretical explanations to confront one another and find no resolution or synthesis. This in part reflects the differing basic (ideological) assumptions of the protagonists. These assumptions, however, inform not only their conclusions but also their conceptual and methodological approach. To attempt to resolve the conflict of two approaches by developing a new one may only make the conflict triangular. Thus, Neuman's call for an "ideological 'detoxification' of the issue" (pp. 692-693) is doomed to failure. We accept that research on this or any other issue is grounded on ideological assumptions; this includes Neuman's and our own. We do not use the terms pejoratively, however, as Neuman does. Rather, we find it inconceivable that any researcher's personal experience, basic values and world view can be excluded from research. What is necessary, given this situation, is to be honest about one's basic positions, to make them explicit, and thereby to develop a theoretical specification that can be evaluated by others in its own right. In fact, by the end of her article Neuman declares that all significant theorizing in social science "is largely the product of intuitive insights" (p. 594) — a belated admission of the impossibility of her earlier stern positivist arguments.

In her critique of analyses she believes to be ideologically biased, Neuman accuses the authors of simplifying a complex issue

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by defining development purely in terms of GNP growth, and military expenditure in terms of weapons procurement (pp. 584-587). This is a misleading conclusion. Many of the authors whom she attacks have argued that development cannot be measured by growth in GNP alone, and have questioned the very meaning of the word "development." Extraordinarily, Neuman proceeds from a dismissal of the various strands of dependency theory (pp. 581-582) to the elucidation of other factors beside GNP that are important for development — employment, distribution of wealth, independence. But it is dependency theory which has focused on independence as a factor in development, and which has been concerned acutely with the distribution of wealth (and power) and the patterns of employment. Moreover, development economists and sociologists have long argued that GNP data must be supplemented by other indicators, such as infant mortality, literacy and access to social facilities. Similarly, many of those Neuman criticizes, have considered the effects of arms transfers and military expenditure in terms not limited to weapons procurement: viz., they have analyzed the effect of the creation of a military establishment on society as a whole.

This brings us to Neuman's proposed research program, based on field research and individual case studies. Unfortunately, the proposal suffers problems similar to those she describes in her critique of others' analyses. Her view that judgment be reserved "until all available data are in" (p. 593) is also dubious, for without a theoretical approach, we have no way of knowing when we have got "all available data," and we would probably have to sift through a great deal of irrelevant findings gathered without direction.

Our preference is to link case studies with macrostatistical study. However, we would not limit the definition of case study to a country-by-country approach: this might obscure the relation between one country's economy and society and the international economy. Therefore, regional and sectoral case studies are important. Case studies and macrostatistical study can contribute to comparative analyses, which we continue to regard as important, for though Neuman is right that each country is developmentally unique (p. 585), countries are also developmentally similar. Combining two levels of analysis can identify more usefully both similarities and particularities than an approach limited to one level alone. In such case studies, some of Neuman's suggestions are welcome — field research, for instance, or the the attempt to assess the impact of different kinds of military spending on different

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sectors of society. (p. 593.) Unlike Neuman, however, we would not reject macrostatistical study, across countries and across time. In fact, we find Neuman's rejection of this type of study purely arbitrary given that she also tasks researchers with collecting all possible data. And the theoretical specification we believe essential in all types of research is actually enforced through macrostatistical work, which cannot show any meaningful results without a proper theoretical model.

The suggestion of linking these two levels of research is hardly original. It is a rather obvious way of avoiding the risk of "tunnel vision," which can beset analysts who work on one level only. It is unfortunate that Neuman, who perceives, albeit imperfectly, the risks of being confined to the "macro" level, opts instead for confinement at the "micro" level. Her paper is a touching *cri de coeur* against inevitable problems of social research — the problem of specifying a theoretical model that transcends the personal experience and politics of the researcher (that is, of producing theory that is not merely ideology) and the problem of confronting the difficulties in any empirical evaluation of the theory. To believe that these are problems only for macrostatistics, and that case studies and "some new conceptual and methodological approach" provide a philosopher's stone, may be regarded as ingenuous; but to caricature the object of attack in order to make the case is merely unscholarly.

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In Reply

I would like to thank Dan Smith and Ron Smith for taking the time to comment on my article. Their critique afforded me a welcome opportunity to re-evaluate what I have written, and I am grateful to them for that. After careful consideration of their remarks, however, I have decided not to respond to the main body of their criticism. They have chosen to prove that my discussion was "not very helpful for understanding the relationship between military spending and development, or for formulating appropriate research techniques." Since this was never my intention, nor do I think it possible for anyone at this stage of our knowledge to do so, I can only agree with their conclusion.

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The focus of my article was more modest. I was merely observing that despite the volume of writing on the subject, we still do not know whether there is a causal relationship between military expenditures and development, much less what that relationship is. Since most of the literature offers macrostatistical data as evidence, it did not seem unreasonable or controversial to point out the intractable problems associated with that kind of analysis and suggest that perhaps it was time to experiment with other kinds of data and methodologies. Since my article develops this theme at some length, I see little point in reiterating here what I have already said. Instead, I will comment briefly on several other less obvious points of confusion, agreement and disagreement between us.

First, I would like to address a statement made by Professors Smith and Smith that I find somewhat perplexing. I analyzed the current literature as I found it. Since I am neither an economist nor a statistician, there are undoubtedly many econometric and statistical methods of which I am unaware. But if there are methods which "can be deployed precisely to allow for weaknesses, unreliability and possible inconsistency in data," then why haven't they been incorporated into research to date? Isn't the proverbial proof of the pudding in the eating?

Second, I agree that country, regional, sectoral and macrostatistical studies are all valid approaches to comparative research. I am in favor of any technique, quantitative or qualitative, which can establish a relationship between military expenditures, arms transfers and development, and applaud all efforts to that end. The more varied the techniques we use to test hypotheses, the stronger our findings. Since using only one analytical approach to military spending and development has proven unproductive, why not try others? Given the present state of the field, we have much to gain and nothing to lose.

Third, a point of clarification about the role of intuition in research. As I stated in my article, probably all significant theory is a product of the intuitive insights of researchers. Their "hunches" about the way "things work" often lead to creative research designed to prove those hunches. What I reject is the practice of using intuitive flights of fancy to impose meaning upon data which the data cannot support. Values and intuition should not and cannot be eliminated from research, but they must be made explicit so that others can evaluate and test them. Inevitably, researchers who build a theory on unarticulated *a priori* assumptions (such as

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the negative effects of military spending) always find predictable forms of behavior the existence of which is stated rather than proved. As Stanley Hoffmann warned in the middle sixties, constructs of this kind tend "to find in concrete investigation only the evidence for those truths which had been smuggled in at the start."[1] It is a case of believing that what ought to be already exists.

Finally, I take issue with the statement regarding the explanatory power of an observed relationship between two variables: "If, over time, the variables behave the way the conceptual construct suggests they ought to, then it has good explanatory power, and depending upon how closely the phenomena conform to the model it can be relied on to a lesser or greater extent. *This is surely a very basic observation, which should hardly need to be made.*" (Emphasis added.) But Professor Norwood Russell Hanson has pointed out the danger of attributing causality to this kind of observed behavior so succinctly that I will let him speak for himself: "There is no causal relation between my winding the clock and then going to sleep, though no two events occur with more monotonous regularity. One could predict my going to sleep from watching me wind the clock, or retrodict my having wound the clock from observing me asleep. But this is risky, like amateur weather-forecasting or angling advice."[2] To date, it is still not clear whether the observed connections between arms and development are causal sequences or mere coincidence, and "this is surely a very basic observation which should hardly need to be made!"

In conclusion, I would like to address the underlying, "unarticulated" objection to my article. Smith and Smith dislike the fact that I refuse to do what much of the writing in the field does — i.e., take a position on the normative implications of the Iranian military and political situation under the shah. In the article we are discussing, I was concerned solely with a methodological question: How does one measure the impact defense expenditures and military technology have on the socioeconomic development of less industrialized states? It is true I was not interested in making normative judgments about how economic resources should be allocated, or about the implications of "the military presence in the Iranian polity" or the revolutionary events of 1978-1979 — all fascinating topics but not the ones I chose to write about. If being

[1] *The State of War* (New York: Praeger, 1965); the passage quoted is to be found also in James N. Rosenau, ed., *International Politics and Foreign Policy* (New York: The Free Press, 1969), p. 35.

[2] *Patterns of Discovery* (London: Cambridge University Press, 1965), p. 64.

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relevant means discussing only those topics that have attracted the attention of ideological casuists, then I am delighted to be labeled irrelevant.

Having clarified, I hope, the unstated and the ambiguous, I would like to end with an invitation to Professors Smith and Smith, and to all others interested in the relationship between military spending, arms and development, to join together to solve the difficult theoretical and methodological problems now facing us. When we have collected relevant data and submitted them to various quantitative and qualitative tests of validity and reliability, then we can argue about interpretation. This kind of debate has its function, but in the long run only the results of our research are productive.

STEPHANIE NEUMAN
Columbia University

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reviews

China and the Major Powers in East Asia. By A. Doak Barnett. Washington: Brookings, 1977. 416 pp. $5.95 (paper).

China and America: The Search for a New Relationship. Edited by William J. Barnds. New York: New York University Press, 1977. 254 pp. $15.00.

Dragon and Eagle: United States–China Relations: Past and Future. Edited by Michel Oksenberg and Robert B. Oxnam. New York: Basic Books, 1978. 384 pp. $13.50.

Island China. By Ralph N. Clough. Cambridge: Harvard University Press, 1978. 264 pp. $12.50.

EUGENE K. LAWSON
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December 1978, like February 1972, was a watershed in Sino-American relations, and the books under review, all written before normalization, describe ably the intervening seven years. The books represent the best work from a veritable avalanche of writing on the subject, and, to a remarkable extent, they agree on the necessary conditions for establishing full diplomatic relations between Washington and Peking. They set, as it were, the appropriate course the U.S. should have followed but did not.

Often in the execution of foreign policy, it is just as important how a country implements its policy decisions as what the policy is. In shifting our diplomatic relations from the Republic of China on Taiwan to the People's Republic, the policy — "normalizing" our relations with Peking — was correct, but our execution was inept.

A. Doak Barnett's book, *China and the Major Powers in East Asia*, is the latest, and perhaps the best, from this prolific author. Barnett has written or edited some fifteen previous studies on China, and is widely regarded as one of the leading China experts in this country. His predictions and suggestions for U.S. policy have a habit of coming true.

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Barnett conceives of his topic broadly, placing Sino-American relations in a four-country, balance-of-power conceptual framework. Barnett treats Sino-Soviet, Sino-Japanese and Sino-American relations in separate chapters, but concludes with a discussion entitled "China and the New Four-Power Equilibrium," which details China's complex multilateral interactions. For our purposes, his discussion of Sino-American relations, nearly a third of the book, is most germane.

In Barnett's view, there is little chance Sino-American relations will become intimate soon, and the process of improving relations will not be easy. Washington must proceed, step by careful step, up to and past the Taiwan issue. A great deal of good will and compromise will be required of both sides. He argues, as the other authors do, that the crux of the Taiwan problem is the difficulty of finding an adequate substitute for the U.S.-ROC mutual defense treaty, which has provided for the preservation of Taiwan's security. "An acceptable substitute for the treaty," he writes, "might consist — *at a minimum* — of acquiescence by Peking to [*sic*] American statements and actions clearly indicating that the United States will continue to assist it in maintaining a reasonable defense capability (for example, through direct or indirect sales of military material), even without a formal treaty. Whether or not Peking is willing to acquiesce to the continuation of informal security links of this sort between the United States and Taiwan could prove to be the crucial issue in the final stage of normalizing U.S.-China relations." (p. 210; emphasis added.)

The book edited by William J. Barnds sets a high standard for future scholarship on Sino-U.S. relations. In each of five chapters, a different author treats a critical aspect of the relationship: Akira Iriye appraises the role of the United States in Chinese foreign policy over the past thirty years; Alexander Eckstein discusses Sino-American economic relations; Lucian Pye describes cultural exchanges; Ralph Clough analyzes the Taiwan issue; and Barnds concludes with a penetrating essay on the key factors in American policy toward China. The essays are uniformly first-rate, present refreshing views and policy recommendations, and consistently ask the right questions in a provocative and insightful fashion. Barnd's concluding essay ties together the key points made by the other authors, and prescribes a way to normalize relations between Peking and Washington without victimizing Taiwan. His formula, similar to Barnett's, goes beyond it.

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Barnds says that the United States "should be willing to sell defensive arms and spare parts to Taiwan, not hinder the Taiwanese from setting up their own arms industries, and encourage them to diversify their sources of supply as much as is feasible. Such moves should be played in a low key, and Peking probably should be told in advance that we plan to follow this course. (Since Administration officials will have to set forth their policy on this issue to Congressional committees it can hardly be kept secret.) . . . A statement that we would look upon any major use of force in East Asia as a cause for reassessing our own policy and strategy would cushion the shock Taiwan will experience when the treaty lapses. Finally, we should make it clear that any arrangement the two governments work out between themselves to settle the issue peacefully will be acceptable to us." (p. 230.) Barnds concludes a la Barnett that there will have to be compromises on both sides to achieve normalization, but that judicious bargaining by Washington to achieve our minimum goal ("providing the people in Taiwan with a major voice as to their future") will see us through to a successful negotiation.

Another edited book on U.S.-Chinese relations, *Dragon and Eagle,* may be the best. More ambitious in scope than the Barnds volume, the Oksenberg and Oxnam book has thirteen contributors covering six themes: an overview of the past and a peek into the future by the two editors, two essays by Warren I. Cohen and Tu Wei-ming on "Mutual Perceptions," four essays on "Bilateral Interactions" by Oksenberg, Lyman P. Slyke, Waldo H. Heinrichs, Jr., and Stanley B. Lubman, two essays on "Multilateral Interactions" by Allen S. Whiting and Steven I. Levine, chapters by Peter Van Ness, Michael H. Hunt and Alexander Woodside on "Interactions Around China's Rim" and, finally, Jerome A. Cohen's contribution on the "Legal Context" in Sino-American relations. Major issues treated in the Barnd's book are also dealt with in *Dragon and Eagle,* but as part of the continuing historical relationship between the two countries. While there is no concluding chapter, Oksenberg and Oxnam make commendable strides toward integrating the diverse perspectives presented by providing short but useful introductory overviews before each major theme.

While many themes focus only tangentially on the immediate problems of normalizing relations, several contributors, Van Ness and Cohen, for example, discuss implicitly the destabilizing effect on Taiwan of abrogating the mutual defense treaty without

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providing an adequate substitute. Moreover, many of the contributors are clear about the causative link between a peaceful resolution of the Taiwan issue and future Sino-U.S. relations. In other words, for there to be respect between Peking and Washington, and so that domestic audiences in each country will not be able to accuse their leadership of a shabby sellout of the national interest, it is essential for *both* sides to resolve their differences over Taiwan. Thus, Washington must not let itself be perceived as jeopardizing Taiwan's national security.

Ralph Clough's book, *Island China,* is by far the most comprehensive treatment in print today of the central role played by Taiwan in Sino-American relations. Clough seeks to determine the trends in the Republic of China's foreign policy, and to specify the obstacles it has presented to American policymakers. His premise is that normalization (in U.S.-PRC relations) will be far more difficult to achieve than was thought in 1972, but is still possible. To achieve that end, he lays out clear policies similar to those of Barnett and Barnds, stressing (as they do) that the bottom line is the defense treaty. "A convincing demonstration that the United States was prepared to continue sales of military equipment to the ROC and Congressional or executive branch declarations of the U.S. determination to oppose any attempt to resolve the Taiwan problem by force would help." (p. 222.)

All the books reviewed seem, explicitly or implicitly, to agree on the following points: that it is in the best long-term strategic interest of the United States to move toward normalization with the People's Republic; that in the process, Taiwan's security must not be perceived to be threatened, which involves unilateral declarations by the United States about the nonuse of force; that in devising an adequate substitute for the defense treaty, it would be necessary for the executive branch to coordinate closely with the congressional branch in preparing a carefully structured statement of U.S. intent; that since the issue was complex and would involve concessions and compromises by both sides, it would be necessary to proceed in a judicious, paced fashion to achieve our goals; and, lastly, that since Taiwan was the involved third party but not a participant in the negotiations, its leaders should be briefed in timely consultations, as befitting long-time allies.

What happened, though? The administration proceeded to articulate rather clearly a coherent policy to bring about nor-

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malization, but the implementation of that policy was so sloppy that it nearly negated the policy itself.[1] The president's statement that the United States "continues to have an interest in the peaceful resolution of the Taiwan issue" is simply inadequate to provide for Taiwan's security.[2] It fell to Congress to make the necessary statement. Secondly, the administration failed to consult Congress before the fact, and as a result, there was the very real danger — since averted — that some of the actual terms of agreement with Peking might be overturned with incalculable embarrassment to the president. Moreover, the president's insistence on an arbitrary deadline signaled Peking that we did not have the patience to see the negotiations through to a satisfactory conclusion. As Parris H. Chang has pointed out, the Sino-Japanese treaty of peace and friendship of August 1978 should have indicated to the United States that through "patience, perseverance, and skillful bargaining," we could do what the Japanese did and win important concessions from Peking.[3]

Finally, Taiwan should have been notified earlier and in a more politic manner than by a phone call from a very embarrassed U.S. ambassador in Taipei to the chief of state of an ally at two o'clock in the morning![4] At a minimum, the administration could have called the Taiwan ambassador in to the White House or State Department to notify him of the basic change in our policy, and to work out, after tempers cooled, joint communiques which would indicate that both sides, while differing, were at least consulting. How much better it would have been for both countries to have been able in a modest way to coordinate statements with each other, each side able to state, for example, activities of an ongoing nature which would not be affected, or perhaps even announcing that a new delegation of this or that would be coming to the United States or to Taiwan.[5]

[1] See Eugene K. Lawson, "Taiwan: We Forgot Who Held the Trump Cards," *Washington Post*, December 29, 1978.

[2] The administration needs more precision in its language. Secretary of State Vance, describing the new environment within which Taiwan found itself, spoke about how "the transition should be a peaceful transition." Naturally Vance did not mean Taiwan's transition to Communist control.

[3] Chang, "A Peking-Tokyo Axis," *Asia Mail*, October 1978.

[4] The Republic of China has been waiting for nearly seven years for the other shoe to drop, but it didn't expect the shoe to be thrown!

[5] In an unprecedented example of bad U.S. manners, the departing Republic of China ambassador, James Shen, was not asked to come by the White House for the traditional farewell call on the president. This, of course, is the way an enemy would be treated.

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Even the bottom-line consideration — the intention of the United States to sell arms to Taiwan — was rendered vague by the announcement two weeks after normalization was declared that there would be a one-year moratorium on new sales of U.S. weapons to Taiwan. The reasons for the moratorium were never articulated.

Good policy, if implemented poorly, becomes bad policy. The Congress, reflecting far more accurately the strong national sentiment about treating an ally in an evenhanded fashion, has rectified most of the mistakes made by the administration. Its officials should have read some of these books.

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INTERNATIONAL POLITICS

Bargaining in International Conflicts. By Charles Lockhart. New York: Columbia University Press, 1979. 205 pp. $12.50. Uses behavioral theory to explore possible outcomes to international crises.

The Darker Reaches of Government: Access to Information About Public Administration in the United States, Britain and South Africa. By Anthony S. Mathews. Berkeley: University of California Press, 1979. 245 pp. $22.50. Excellent comparative analysis, from a juridical viewpoint, of the quest for "freedom of information."

Ethics, Functionalism, and Power in International Politics: The Crisis in Values. By Kenneth W. Thompson. Baton Rouge: Louisiana State University Press, 1979. 170 pp. $10.95. Largely composed of essays that have appeared in journals, this study examines Mitrany's thesis of functionalism as an aid or impediment to the role of morality in international affairs.

Moral Claims in World Affairs. Edited by Ralph Pettman. New York: St. Martin's Press, 1979. 199 pp. $18.95. A well-coordinated collection of essays analyzing morality as a foreign policy tool.

The Non-Aligned Movement: The Origins of a Third World Alliance. By Peter Willetts. New York: Nichols, 1978. 310 pp. $23.50. Uses broad, quantitative indicators (UN voting, aid links and diplomatic exchanges) to measure correlations with the rhetoric of the Third World bloc.

State and Society in Contemporary Europe. Edited by Jack Hayward and R. N. Berki. New York: St. Martin's Press, 1979. 269 pp. $22.50. A collaborative effort by German and British scholars to evaluate the changing role of government in Eastern and Western Europe, and to discover how common elements are gathered together in multinational institutions.

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Theory and Reality in World Politics. By Carey B. Joynt and Percy E. Corbett. Pittsburgh: University of Pittsburgh Press, 1978. 147 pp. $10.95. Succinct overview of international relations theory.

Towards Professionalism in International Theory: Macrosystem Analysis. By Morton A. Kaplan. New York: Macmillan, Free Press, 1979. 182 pp. $15.95. A *tour d'horizon* of the fallacies within currently fashionable theories of international politics.

Why War? Ideology, Theory, and History. By Keith L. Nelson and Spencer C. Olin, Jr. Berkeley: University of California Press, 1979. 201 pp. $10.95. A critique of the historiography of war, with trenchant analysis of several international-conflict case studies.

Beyond the North-South Stalemate. By Roger D. Hansen. New York: McGraw-Hill, 1979. 329 pp. $12.95.

Commonwealth Political Facts. By Chris Cook and John Paxton. New York: Facts on File, 1979. 293 pp. n.p.

Contemporary International Law: A Concise Introduction. By Werner Levi. Boulder: Westview Press, 1979. 391 pp. $22.00 ($10.00, paper).

Controversy: Politics of Technical Decisions. Edited by Dorothy Nelkin. Beverly Hills: Sage, 1979. 256 pp. $16.00 ($7.95, paper).

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The Disintegrating West. By Mary Kaldor. New York: Hill & Wang, 1978. 219 pp. $10.00.

Enhancing Global Human Rights. By Jorge I. Domínguez *et al.* New York: McGraw-Hill, 1979. 270 pp. $9.95 ($6.95, paper).

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A Free and Balanced Flow: Report of the Twentieth Century Fund Task Force on the International Flow of News. Lexington, Mass.: D. C. Heath, 1978. 77 pp. $12.50.

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The Human Rights Handbook: A Guide to British and American International Human Rights Organizations. Compiled by Marguerite Garling. New York: Facts on File, 1979. 299 pp. $25.00.

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The Quest for World Order. By Robert Cooley Angell. Ann Arbor: University of Michigan Press, 1979. 186 pp. $4.95 (paper).

Satow's Guide to Diplomatic Practice. (Fifth edition.) Edited by Lord Gore-Booth. New York: Longman, 1979. 544 pp. $29.50.

The Sisterhood of Man. By Kathleen Newland. New York: W. W. Norton, 1979. 242 pp. $3.95 (paper).

Support for Regimes: Theories and Tests. By Harry Eckstein. Princeton, N.J.: Princeton University, Center of International Studies, Research Monograph no. 44, 1979. 80 pp. $5.00 (paper).

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INTERNATIONAL ECONOMICS AND TECHNOLOGY

Atlas of World Population History. By Colin McEvedy and Richard Jones. New York: Facts on File, 1979. 368 pp. $14.95. An essential guidebook for researchers working in the population field; country-by-country surveys.

The Effective Management of Resources: The International Politics of the North Sea. Edited by C. M. Mason. New York: Nichols, 1979. 268 pp. $22.50. Excellent comparative survey (by members of the North Sea Study Group of Chatham House, Scottish Branch) with regard to regulation of oil and gas, fisheries and the environment.

Energy: From Heaven and Earth. By Edward Teller. San Francisco: W. H. Freeman, 1979. 287 pp. $15.00. An eloquent and simply written historical survey of energy's role in civilization; the conclusion stresses Teller's view of our future.

Foreign State Enterprises: A Threat to American Business. By Douglas F. Lamont. New York: Basic Books, 1979. 272 pp. $11.95. A well-argued presentation of America's economic system as besieged by protected foreign economic institutions.

Global Bargaining: UNCTAD and the Quest for a New International Economic Order. By Robert L. Rothstein. Princeton, N.J.: Princeton University Press, 1979. 286 pp. $18.50 ($4.95, paper). What's wrong with UNCTAD (through late 1977).

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International Inequality and National Poverty. By Keith Griffin. New York: Holmes & Meier, 1979. 191 pp. $25.00. An argument for a new international economic order expressly designed to aid the lower economic stratum in developing countries.

The Merchants of Grain. By Dan Morgan. New York: Viking, 1979. 387 pp. $14.95. An attempt to penetrate the secrecy of the $50-billion business of the international grain traders.

Sharing Global Resources. By Ruth W. Arad *et al.* New York: McGraw-Hill, 1979. 220 pp. $9.95 ($6.95, paper). Useful essays covering conflict over resource shortages, commodity trade regimes and management of the oceans.

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Thinking Through the Energy Problem. By Thomas C. Schelling. New York: Committee for Economic Development, 1979. 63 pp. $5.00 (paper).

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Fast Attack Craft. Compiled by John Marriot. New York: Crane, Russak, 1979. 263 pp. $24.50. Pictures, descriptions and statistics from around the world.

The Future of United States Naval Power. By James A. Nathan and James K. Oliver. Bloomington: Indiana University Press, 1979. 248 pp. $15.00. Argues that the decline in the global predominance of the U.S. Navy is not all bad.

The My Lai Inquiry. By W. R. Peers. New York: W. W. Norton, 1979. 306 pp. $12.95. The controversy as seen by the chief of the official Army investigation.

Neither Athens nor Sparta? The American Service Academies in Transition. By John P. Lovell. Bloomington: Indiana University Press, 1979. 362 pp. $17.50. A thoughtful history of American military institutions in a process of change.

Nuclear Arms in the Third World: U.S. Policy Dilemma. By Ernest W. Lefever. Washington: Brookings, 1979. 154 pp. $9.95 ($3.95, paper). A survey of national nuclear progress in India and Pakistan, Iran, Israel and Egypt, Korea and Taiwan, Brazil and Argentina.

Proliferation, Plutonium and Policy: Institutional and Technological Impediments to Nuclear Weapons Propagation. By Alexander De Volpi. New York: Pergamon, 1979. 361 pp. $25.00. Technical explanation of how nuclear-weapons material can be derived from nuclear energy installations.

R.U.S.I. and Brassey's Defence Yearbook, 1978/79. Edited by the Royal United Services Institute. London: Brassey's (distributor: Crane, Russak, New York), 1979. 365 pp. $49.50. One-half is de-

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voted to essays on various political-military international issues; the rest is a thorough analysis of current military technology.

Securing the Seas: The Soviet Naval Challenge and Western Alliance Options. By Paul H. Nitze, Leonard Sullivan, Jr., and the Atlantic Council Working Group on Securing the Seas. Boulder: Westview Press, 1979. 464 pp. $24.00 ($12.00, paper). A valuable and comprehensive analysis of Western capabilities, overall and in likely theaters of conflict.

Soviet Strategy for Nuclear War. By Joseph D. Douglass, Jr., and Amoretta M. Hoeber. Stanford, Calif.: Hoover Institution Press, 1979. 138 pp. $5.95 (paper). Uses Soviet military writings to document the Soviet scenario for war with the West.

The Third World War: August 1985. By Sir John Hackett *et al.* New York: Macmillan, 1979. 368 pp. $12.95. A scenario of battles and political tactics guaranteed to keep you awake until the end of the book.

World Armaments and Disarmament: SIPRI Yearbook, 1979. By the Stockholm International Peace Research Institute. London: Taylor & Francis (distributor: Crane, Russak, New York), 1979. 698 pp. n.p. The tenth edition of this valuable handbook; the data are more comprehensive than ever.

The Case for First-Strike Counterforce Capability. By Carl H. Builder. Santa Monica, Calif.: Rand, 1978. 22 pp. $1.50 (paper).

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International Violence: Terrorism, Surprise and Control. Edited by Yair Evron. Jerusalem: Hebrew University, Leonard Davis Institute for International Relations, 1979. 315 pp. n.p. (paper).

The Missing Man: Politics and the MIA. By Douglas L. Clarke. Washington: Research Directorate of the National Defense University, 1979. 121 pp. n.p. (paper).

Negotiating Security: An Arms Control Reader. Edited by William H. Kincade and Jeffrey D. Porro. Washington: Carnegie Endowment for International Peace, 1979. 321 pp. $11.00.

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The Terrorists: Their Weapons, Leaders and Tactics. By Christopher Dobson and Ronald Payne. New York: Facts on File, 1979. 238 pp. $14.95.

THE UNITED STATES AND CANADA

The Grease Machine. By David Boulton. New York: Harper & Row, 1979. 289 pp. $12.50. A popularly written recast of data published by U.S. Senate committees on the effectiveness of American business abroad.

The Irony of Vietnam: The System Worked. By Leslie H. Gelb with Richard K. Betts. Washington: Brookings, 1979. 387 pp. $14.95 ($5.95, paper). Reworks old data to indict the American decisionmaking system.

The Politics of Trade: US and Japanese Policymaking for the GATT Negotiations. Edited by Michael Blaker. New York: Columbia University, East Asian Institute, 1978. 184 pp. $4.00 (paper). Knowledgeable essays on the primacy of domestic pressures and bilateral deals over the multilateral GATT process.

Schooling for a Global Age. Edited by James M. Becker. New York: McGraw-Hill, 1979. 345 pp. $12.50. How early can schoolchildren become aware of and understand international problems?

Water's Edge: Domestic Politics and the Making of American Foreign Policy. By Paula Stern. Westport, Conn.: Greenwood Press, 1979. 265 pp. $19.95. Thorough case study of the Jackson-Vanik Amendment.

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Andrew Young: A Biography. By Carl Gardner. New York: Drake, 1979. 232 pp. $9.95.

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The Brink: Cuban Missile Crisis, 1962. By David Detzer. New York: Thomas Y. Crowell, 1979. 299 pp. $11.95.

The Conservative Intellectual Movement in America Since 1945. By George H. Nash. New York: Basic Books, 1979. 462 pp. $5.95 (paper).

Dilemmas Facing the Nation. Edited by Herbert V. Prochnow. New York: Harper & Row, 1979. 302 pp. $14.95.

Organizing Ourselves to Deal with the Soviets. By Marshall Brement. Santa Monica, Calif.: Rand, 1978. 30 pp. $3.00 (paper).

The Panama Canal Treaties of 1977: A Political Evaluation. By Albert Norman. Northfield, Vt.: Self-published, 1978. 48 pp. $6.50 (paper).

The Politics of National Security. By Marcus G. Raskin. New Brunswick, N.J.: Transaction Books, 1979. 211 pp. $12.95 ($5.95, paper).

The Politics of War: The Story of Two Wars Which Altered Forever the Political Life of the American Republic (1890-1920). By Walter Karp. New York: Harper & Row, 1979. 380 pp. $15.00.

Setting National Priorities: The 1980 Budget. Edited by Joseph A. Pechman. Washington: Brookings, 1979. 229 pp. $11.95 ($4.95, paper).

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THE SOVIET UNION AND EASTERN EUROPE

The Armed Forces of the USSR. By Harriet Fast Scott and William F. Scott. Boulder: Westview Press, 1979. 439 pp. $24.00. The most thorough such handbook in print.

Soviet Bargaining Behavior: The Nuclear Test Ban Case. By Christer Jönsson. New York: Columbia University Press, 1979. 266 pp. $13.50. Within the framework of the 1958-1963 negotiations, this study ex-

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amines bargaining in the international, intrabloc (Sino-Soviet) and domestic Soviet arenas.

The Soviet Economy: How It Really Works. By Constantin A. Krylov. Lexington, Mass.: D. C. Heath, 1979. 259 pp. $17.95. Applys organizational theory to the Soviet system.

Bear and Foxes: The International Relations of the East European States, 1965-1969. By Ronald Haly Linden. Boulder: East European Quarterly (distributor: Columbia University Press, New York), 1979. 328 pp. $17.50.

The Cultural Limits of Revolutionary Politics: Change and Continuity in Socialist Czechoslovakia. By David W. Paul. Boulder: East European Quarterly (distributor: Columbia University Press, New York), 1979. 361 pp. $18.50.

Domestic Influences on Soviet Foreign Policy. By Dina Rome Spechler. Washington: University Press of America, 1978. 96 pp. $6.50 (paper).

Einparteisystem und Bürokratische Herrschaft in der Sowjetunion. By Boris Meissner, Georg Brunner and Richard Löwenthal. Cologne: Markus, 1978. 320 pp. n.p. (paper).

The Limits to Power: Soviet Policy in the Middle East. Edited by Yaacov Ro'i. New York: St. Martin's Press, 1979. 376 pp. $22.50.

On the Border of War and Peace: Polish Intelligence and Diplomacy in 1937-1939 and the Origins of the Ultra Secret. By Richard A. Woytak. Boulder: East European Quarterly (distributor: Columbia University Press, New York), 1979. 141 pp. $11.00.

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Russia and the United States. By Nikolai V. Sivachev and Nikolai N. Yakovlev; trans. by Olga Adler Titelbaum. Chicago: University of Chicago Press, 1979. 301 pp. $12.95.

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Since the Prague Spring: The Continuing Struggle for Human Rights in Czechoslovakia. Edited by Hans-Peter Riese; trans. by Eugen Loebl. New York: Random House, 1979. 208 pp. $10.00 ($4.95, paper).

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The Struggle for the Liberation of the Bulgarians in Macedonia and the Odrin Region in 1902-1904: Diplomatic Documents. [In Bulgarian.] Edited by H. Todorov *et al.* Sofia: Institute of International Relations and Socialist Integration, Presidium of the Bulgarian Academy of Sciences, 1978. 590 pp. n.p.

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Communism and Political Systems in Western Europe. Edited by David E. Albright. Boulder: Westview Press, 1979. 379 pp. $21.00. A nation-by-nation look at the active roles played by Communist parties.

Ideology and Politics: The Socialist Party of France. By George A. Codding, Jr., and William Safran. Boulder: Westview Press, 1979. 280 pp. $18.50. A thorough history of the Socialist movement in France.

Norway, Oil, and Foreign Policy. By John C. Ausland. Boulder: Westview Press, 1979. 140 pp. $15.00. Informed view of the dilemmas created by Norway's oil riches.

Power and Manoeuvrability: The International Implications of an Independent Scotland. Edited by Tony Carty and Alexander McCall Smith. Edinburgh: Q Press (distributor: Humanities Press, Atlantic Highlands, N.J.), 1979. 185 pp. $16.00. Sets down the national priorities of a hypothetically independent Scotland.

Switzerland: The Awful Truth. By Jean Ziegler; trans. by Rosemary Sheed Middleton. New York: Harper & Row, 1979. 173 pp. $9.95. Undermines the Swiss image of prosperity, neutrality, democracy and moral rectitude.

Underdeveloped Europe: Studies in Core-Periphery Relations. Edited by Dudley Seers, Bernard Schaffer and Marja-Liisa Kiljunen. Atlantic Highlands, N.J.: Humanities Press, 1979. 325 pp. $26.50. Essays ranging from excellent to mediocre on the application of core-periphery theory to European problems.

An Economic History of Modern France. By François Caron; trans. by Barbara Bray. New York: Columbia University Press, 1979. 384 pp. $16.50.

Eurocommunism and Détente. Edited by Rudolf L. Tökés. New York: New York University Press, 1979. 578 pp. $24.50 ($10.95, paper).

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A. P. Sheetikov; trans. by Galina Sdobnikova. Moscow: Progress (distributor: Imported Publications, Chicago), 1978. 405 pp. $4.75.

The First European Elections: A Handbook and Guide. By Chris Cook and Mary Francis. Atlantic Highlands, N.J.: Humanities Press, 1979. 193 pp. $19.50 ($7.00, paper).

The French Communist Party, Nuclear Weapons, and National Defense: Issues of the 1978 Election Campaign. By Raymond E. Burrell. Washington: Research Directorate of the National Defense University, National Security Affairs Monograph 79-2, 1979. 41 pp. n.p. (paper).

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When Europe Speaks with One Voice: The External Relations of the European Community. By Phillip Taylor. Westport, Conn.: Greenwood Press, 1979. 235 pp. $22.95.

ASIA

The China Difference. Edited by Ross Terrill. New York: Harper & Row, 1979. 335 pp. $12.95. Sparkling prose for those interested in serious discussion of modern China.

China, the United Nations, and World Order. By Samuel S. Kim. Princeton, N.J.: Princeton University Press, 1979. 581 pp. $32.50 ($12.50, paper). The definitive study of the Chinese view of diplomacy under Mao Zedong.

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The Japanese Challenge: The Success and Failure of Economic Success. By Herman Kahn and Thomas Pepper. New York: Thomas Y. Crowell, 1979. 162 pp. $10.00. Lays out the challenges to the "fragile blossom" of Japanese economic success during the 1980s.

Marcos and Martial Law in the Philippines. Edited by David A. Rosenberg. Ithaca, N.Y.: Cornell University Press, 1979. 315 pp. $17.50. A deliberately objective analysis of the institutions of authoritarian rule.

Chinese Communist Power and Policy in Xinjiang, 1949-1977. By Donald H. McMillen. Boulder: Westview Press, 1979. 373 pp. $23.00.

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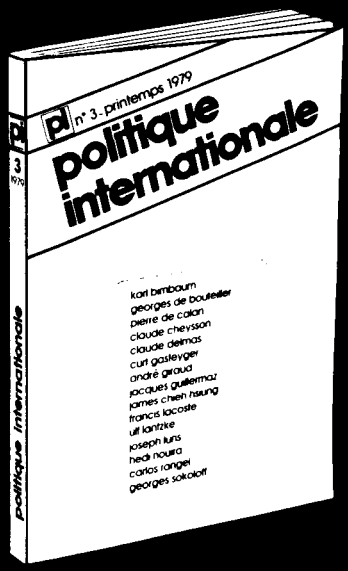

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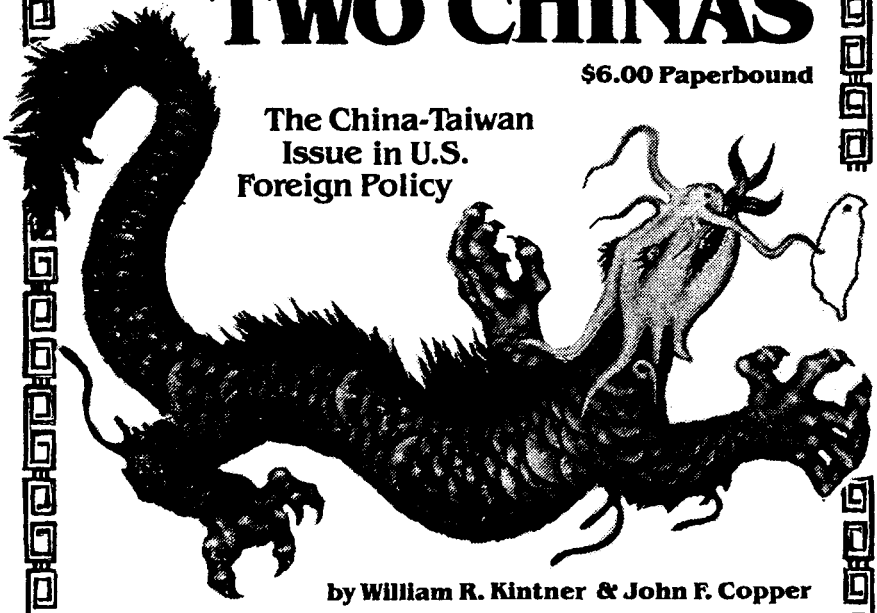

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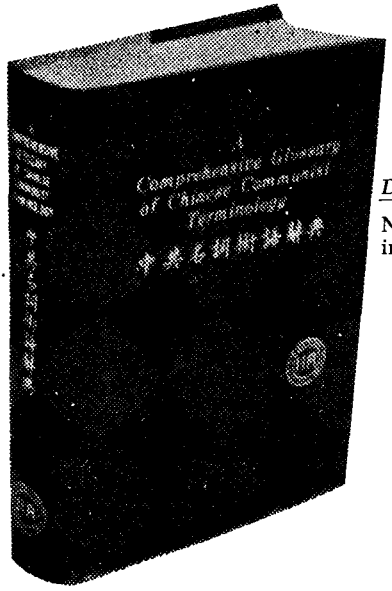

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The states along the Bab al-Mandab waterway—the "Gate of Tears"—may soon be a new source of anguish for the Carter administration. Events in those states, as in today's troubled Iran, can turn abruptly, argues Novik. Persian Gulf security, and Western access to oil, are in more danger than we may think. In this penetrating and meticulously documented work, the author analyzes the steady rise of Soviet influence along the Bab al-Mandab. He takes Washington to task for its extraordinary inability to comprehend the meaning of that influence and urges a collective security arrangement among pro-Western states in the region. **$4.00 paperbound.**

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Your horse won.
Yes.
No.
You have the account.
Walk.
Don't walk.
Mother's dead.
Basic events
require simple language.
Idiosyncratically euphuistic
eccentricities are the
promulgators of
triturable obfuscation.
What did you do last night?
Enter into a meaningful
romantic involvement
or
fall in love?
What did you have for
breakfast this morning?
The upper part of a hog's
hind leg with two oval
bodies encased in a shell
laid by a female bird
or
ham and eggs?
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once said, "If you can't
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